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OPEC ACQUIRING U.S. REFINERIES

London 8 DAYS in English No 29, 25 Jul 81 pp 44-45

[Article by Graham Benton]

[Text] AS MAJOR US OIL firms cut back on refining capacity, and smaller refiners face bankruptcy, Opec investors are moving in to pick up some of the choicer pieces.

Rising oil prices, domestic energy conservation and a worldwide crude supply glut have combined to cut total US imports of refined products and crude oil by a third since 1977. Then they averaged 8.8m b/d, while in the first five months of this year they were down to 5.5m b/d. As a result, only 65.9 per cent of US refining capacity was being used in June, and companies with a major proportion of their operations in refining activities have felt the pinch badly.

Worst affected are the small refiners which lack the major assets base to cushion them against the trade recession. For many, the situation has become perilous since President Reagan deregulated the oil industry in January, simultaneously depriving them of equalisation entitlements (which obliged crude importers to make oil available to the small refiners at the same price paid by the oil majors' own refineries) and the so-called 'small-refiner bias' (which gave firms with less than 50,000 b/d capacity subsidies on crude purchases of up to 16 per cent). As product prices decline faster in the continental US than crude prices, independent refiners are in trouble, and the bankruptcies have already begun.

This is where the Opec investors have begun to make an appearance. In May, the Kuwait Petroleum Corporation bought a 50 per cent stake in Hawaii's largest refinery owned by Pacific Resources of Honolulu. American Petrofina of Dallas, Texas, sold its 90,000 b/d refinery at Port Arthur to Venezuelan interests for \$75m and US

businessmen representing private Kuwait and Saudi investors have purchased four more small Texan refineries (with capacities reportedly varying between 45,000 b/d and 75,000 b/d).

The cost of the four refineries has not been officially revealed, but an executive of one of them, UNI oil of Ingelside, has said that his refinery was purchased for a 'low price'. The 52,600 b/d plant sold by Houston's independent Refining Corporation reportedly went to \$75m.

The private investors, organised by the Kuwait-based Gulf International Bank and other Arab financial institutions, are reported to have paid no more than \$250m for the lot. But why are Opec buyers so interested in refining operations which US oil firms currently find so unattractive?

One theory prevalent among US businessmen is that the Gulf investors want to acquire some secure investments in politically stable areas. But since the likely financial returns could be bettered in other areas of investment, this is scarcely a major factor. Much more important is the greater flexibility provided by a stake in both downstream and upstream oil operations. Most Opec countries are keen to diversify away from being mere suppliers of raw materials.

Only last month, Oil Minister Sheikh Ali Khalifa told the national assembly in Kuwait that his country was embarking on a major expansion of refining capacity because selling refined products was more profitable in the long term. Kuwait plans to increase the capacity of its existing domestic refineries from 600,000 b/d to 750,000 b/d (out of total current crude production of

around 1.25m b/d.) Its newly-bought interests in Texas and Hawaii could add another 180,000 b/d of capacity. Other instances of KPC's interest in refining and marketing rather than crude sales to foreign oil companies include plans to start a joint venture 200,000 b/d refinery outside Kuala Lumpur with Petronas of Malaysia, and a \$50m exploration and production partnership with AZL Resources of Arizona (in which Saudi Arabia's Adnan Kashoggi has a 50 per cent interest).

Kuwaiti and Venezuelan investors in particular have another inducement to set up their own refining operations. Both have extensive reserves of heavy crudes which sell at a discount against the higher grade crudes exported by Saudi Arabia and the North African producers. The Ex-IRP refinery in Texas is capable of processing the heavier crudes, and private Arab investors are understood to be contemplating a further \$250m investment.

With 16 US refineries shut down and several more up for sale (and the possibility that 20 per cent of the country's 300-odd plants could be closed by the year-end), many more refiners are expected to seek foreign purchasers or find themselves

vulnerable to takeovers from government firms or private investors abroad.

Some US refiners are far from keen about the prospect because they suspect that plants with Opec links will have favoured access to Opec oil supplies. Already, smaller US refining companies are preparing to fight back by banding together in consortia which can take on the relatively large volume oil contracts which Middle East exporters tend to prefer.

More sanguine oil analysts welcome Opec investment in US refining plants, however. They feel that purchase of refineries in the US by the oil exporters will enable the US to continue consuming products refined on the spot rather than being obliged to import petrol from the Middle East. That is a prospect which already faces Western Europe, where Texaco Chairman William Barrack this month claimed that a third of existing capacity may never be used again as Opec shifts gradually to refining its own crude for export to the market. If Opec can be enticed into taking a greater stake in US refining capacity, the US will be all the better placed to avoid its own refining recession.

CSO: 4300/70

INSURANCE PAID ON SHIPS TRAPPED BY GULF WAR

Paris AN-NAHAR ARAB REPORT & MEMO in English No 29, 20 Jul 81 p 11

[Text]

A Bermuda insurance group has agreed to pay about \$36 million to the owners of 10 merchant ships trapped in the Shatt al-Arab since last September by the Gulf war between Iraq and Iran. The move is bound to have an impact on Lloyd's of London, the world's premier maritime insurance market, which has so far refrained from paying out on any vessel trapped in the waterway. The directors of the Hellenic Mutual War Risks Association (Bermuda) decided that the 10 vessels should be regarded as total losses because their owners had been deprived of possession and it was unlikely they would recover the vessels within a reasonable time.

In coming to this conclusion, the insurance group noted that the dangers of attempting to sail out of the Shatt al-Arab under present circumstances would be extreme.

On 23 September 1980, the Iraqi government banned merchant vessels from entering or leaving the country's ports - a decree which is still in force.

Since the outbreak of war on that date, no dredging has been carried out, although the Shatt al-Arab is prone to silting. The presence of the ships has, in itself, contributed to the clogging of the waterway. The ships involved in the pay-out are nine Greek vessels and one Cypriot ship.

At Lloyd's, underwriters are taking the first anniversary of the start of the war as the key date in their deliberations. If the vessels are not free by then, insurance claims will start to be met. Few people, however, expect the Shatt al-Arab to be free for navigation by then. Even if the war were to have ended, minesweeping would probably be necessary.

The Institute of London Underwriters, which handles about half the marine business placed in London, noted earlier this year that 1981 looked like being a bleak year. The institute's Chairman Geoffrey Merriman, drew particular attention to the 72 vessels trapped in the Shatt al-Arab and to the amount of cargo off-loaded in the Gulf short of its destination.

'BBC' REPORTS ON FIGHTING AT PAGHMAN

Rebel Resistance

TA281616 London BBC World Service in English 1500 GMT 28 Jul 81

[From "Radio Newsreel"]

[Text] We begin this newsreel with Afghanistan and the first eyewitness account for some time of the continuing efforts to quell resistance by the Afghan rebels. Our correspondent, Arnov Van Lindon, has for the past few weeks been observing guerrilla resistance in the area known as Paghman just northwest of Kabul. There have been indications recently of increased rebel activity in the area near the capital. Van Lindon now describes an action which took place earlier this month in this dispatch which has just reached us:

[Begin recording] The combined Soviet-Afghan army operation lasted more than 2 and 1/2 days and involved well over 1,000 troops, backed up by scores of tanks, armoured patrol cars, helicopter gunships and MiG fighter jets.

But although Mojahedin casualties were high--40 were killed and twice as many wounded--the Russians did not succeed in their objective, which was clearly to surround the area and root out the Mojahedin once and for all. Insurgents managed to stave off the attack, at numerous points, and when the offensive force finally retreated, were left as much in control as ever. To assess how high the cost of the offensive was to the Soviets, is hard to say. But at least 2 tanks, 1 armoured patrol car, 3 military trucks and a jeep were destroyed, and more than 40 weapons were in Mojahedin hands.

The devastation caused by the tank was maybe most profound for the civilian population in the villages. In what had the air of indiscriminate bombing and rocketing, 25 villagers were killed--most of them women and children--and many more wounded. Houses and the surrounding farm and fruit gardens were destroyed. The attack, although far more concerted on this occasion, was the fourth since I arrived in Paghman a month ago and is a sign of the increasing Soviet discomfort and irritation of Mojahedin control of the area. The cause of that discomfort becomes plain in the evenings. Nearly no night passes without one or more of the Pasman groups launching an attack on Afghan or Soviet army posts just outside Kabul, concentrating particularly on those units guarding the

Qarghah dam, just north of the capital. Those attacks which take the form of short engagements and a hasty retreat have had some success, maybe most of all in dispelling Soviet claims of complete control of the city and its surrounding area. Arnou Van Lindon, BBC Paghman. [end recording]

Cadet Protest

TA291532 London BBC World Service in English 1500 GMT 29 Jul 81

[Text] More information has been coming out of Afghanistan about a battle earlier this month between government forces and Afghan rebels at Paghman west of the capital Kabul. Although exact details are unclear, it is reported that military cadets were forced to play a prominent role in the fighting. Now according to Western diplomatic sources in neighboring Pakistan, some of these cadets have held a protest demonstration at their military academy. Alexander Thompson in Islamabad has been piecing together the reports:

[Begin recording] The cadets, it is said, were put in the front line in front of Afghan and Soviet troops to make sure they did not run away. If they did, they were shot. Apparently the cadets had been told that they were going to the area to conduct house searches. They had not expected to end up in the middle of a bloody battle. Reports reaching diplomats here say they were demoralized by their first combat experience and on their return to Kabul they staged a demonstration at their academy to protest that they were called on to fight before they had become fully fledged members of the armed forces. It is said that there has also been discontent among students from the air force and signals schools, who were taken to Paghman where they proved to be ineffective and reluctant fighters. Western diplomats here can see that it is difficult to assess the significance of the Paghman battle. They say the insurgents were driven back into the hills and arms caches were destroyed. But these sources say insurgents have now reoccupied most of the region and they are said to have reestablished check points on the road to Kabul. [end recording]

CSO: 4600/95

BRIEFS

LEBANESE DELEGATION LEAVES—The Lebanese Independent Nasirite Movement high-ranking delegation, led by Ibrahim 'Abd al-Qadir Qulaysat, secretary general of the movement, left Kabul after a friendly visit to Afghanistan. Niaz Mohammad Mohmand, secretary of the PDPA Central Committee, the assistant to the party Central Committee International Relations Department and some members of the department bade farewell to the delegation at Kabul Airport. Before the delegation left Niaz Mohammad Mohmand praised its visit as further strengthening relations between the people of both countries. Reciprocally, the leader of the Lebanese delegation expressed gratitude at the warm welcome of the Afghan authorities and said that the friendship and revolution of the people of Afghanistan have gained a place in our hearts. [Text] [LD270838 Kabul Domestic Service in Pashto 1530 GMT 26 Jul 81]

YOUTH GROUP MEMBERS JOIN DEFENSE UNIT—A number of members of the Democratic Youth Organization of Afghanistan of the school of Bagram Airport [as heard] have volunteered to join the ranks of the Bagrami Sarondoy unit in order to defend the honor, freedom, territorial integrity and national sovereignty of the country and to annihilate the enemies of the country and the revolution. The meeting was held in the grounds of the school and further successes for the youth were hoped for. [Text] [LD282104 Kabul Domestic Service in Pashto 1530 GMT 28 Jul 81]

TV AGREEMENT WITH GDR—A cooperation agreement between DRA Television and the State Television Committee in the GDR Council of Ministers was signed this morning in the DRA Ministry of Information and Culture. The agreement was signed from the DRA side by the director of broadcasting of DRA Television; and from the GDR side, the ambassador of that country in Kabul, Kraft Bumbel. Under the contract cooperation will be undertaken on television programs and technical personnel and experts will be exchanged between the two countries for a period of 2 years. [Text] [LD290110 Kabul Domestic Service in Pashto 1230 GMT 28 Jul 81]

COAL PROTOCOL WITH USSR—After an official and friendly visit to the USSR, Eng Mohammad Esma'il Danesh, minister of mines and industry, returned to Kabul this morning. At Kabul International Airport, members of the Council of Ministers, personnel of the Ministry of Mines and Industry and members of the USSR Embassy in Kabul were present to welcome the Afghan delegation. The minister of

mines and industry said on arrival in Kabul that the Afghan delegation had visited research plants and coal mines and had held fruitful discussions with the USSR authorities about the extension of economic and technical aid in the field of coal extraction. A protocol was signed on the start and development of cooperation in the field of coal extraction, the training of skilled cadres and the exchange of delegates between the two countries. Esma'il Danesh expressed appreciation for the warm welcome that was extended to the Afghan delegation during its stay in the USSR. [Text] [LD291812 Kabul Domestic Service in Pashto 1530 GMT 29 Jul 81]

TURKISH ENVOY DEPARTS--The Turkish Ambassador to Afghanistan Ilham Bakay whose term of office has ended, left for home today. Deputy to the Foreign Affairs Ministry's Department of Protocol and a number of the friendly countries' ambassadors and charge d'affaires said farewell to him at the Kabul International Airport. [Text] [LD300708 Kabul Domestic Service in Pashto 1730 GMT 29 Jul 81]

AFGHAN RADIO 'JAMMING' BBC BROADCASTS--New Delhi, 30 Jul (AFP)--The Soviet-backed Afghan Government has started systematically jamming radio programmes of the British Broadcasting Corporation (BBC) beamed towards Afghanistan, reports reaching here from Kabul said today. The organised jamming started on July 17 and was still continuing, the reports reaching Afghan dissidents here said. Afghan radio listeners in Kabul said that BBC's evening Persian programme on the medium waves was heavily disturbed on July 17 by loud Afghan music. Some of them tried other shortwave bands, but the result was the same. The reports quoting rebel sympathisers in the Afghan radio said that the Soviets had installed a jamming device in Kabul. There was, however, no independent confirmation. A BBC official here, when contacted, said that he had also received similar reports of jamming. "We are trying to ascertain the facts", Satish Jacob said. The BBC plans to start a 15 minute Pushtu language service soon specially to cater to the Afghan listeners. [Text] [BK300656 Hong Kong AFP in English 0642 GMT 30 Jul 81]

SPINBULDAK RADAR STATION DESTROYED--London, 24 July (AGENCE AFGHAN)--One of Afghanistan's biggest radar stations located at Spinbuldak near the Pakistan border has been destroyed in an attack by Mojahedin. Its cost was estimated at 70 million rupees. According to the agency's Quetta office, three high-ranking Soviet officers toured Spinbuldak last week. The helicopter in which they arrived from Qandahar was escorted by three helicopter gunships. They conducted an aerial inspection of Spinbuldak and border areas. [Excerpt] [GF281920 Karachi JANG in Urdu 25 Jul 81 p 12]

CSO: 4656/1

CAUSEWAY PLANS UNDERWAY

London 8 DAYS in English No 29, 25 Jul 81 pp 36-37

[Text]

BUILDING FEVER has broken out in Bahrain since the dramatically sudden go-ahead for constructing the long-awaited Bahrain Causeway, the 25km road link across the sea between the Bahraini archipelago and Saudi Arabia on the mainland. Link roads to the causeway's starting points had already been started, and it is now clear that local firms involved in road building, providing labour, importing plant and catering are only at the start of a boom that should take them profitably into the second half of the 1980s.

Estate agents expect rents to start rising again and hoteliers are looking forward to letting more rooms. The economic impact of the project on Bahrain and its relations with Saudi Arabia, which is footing the \$564m bill, is already being felt.

All this is in sharp contrast to the years of delays and doubts that have characterised the history of the causeway until now. No sooner had the Saudi finance minister, Mohammed Abalkhair, signed the contract with the winning Saudi-Dutch joint venture, Bandar Ballast International, than the signal for the project to begin was given. The Bahraini development and industry minister, Youssef Shirawi, told reporters after the signing ceremony that work on the causeway itself would start immediately.

The rapid start-up was made possible by an unusual reversal of normal procedures — both the Bahraini and Saudi governments endorsed the contract with Bandar Ballast International before it was signed. It was also helped by the fact that the Dutch partner in the consortium, Ballast Nedam, appears to have had enough warning of its success in the lengthy bidding process to have prearranged the necessary syndicated guarantees to cover \$140m in

advance payments and performance bonds.

Urgency now is understandable. The \$564m asking price of Bandar Ballast International is almost half the general cost estimates for the causeway made over a year ago. With obvious tight margins on profitability, the consortium will be anxious to safeguard itself against delays and the risk of raw-material price inflation. For both governments, too, speedy completion of the causeway would give a concrete symbol of the new spirit of cooperation in the region fostered by the Gulf Cooperation Council.

Specific firms that will benefit from the causeway construction are the Building Raw Materials Company (Bramco), which manages the local rock quarry, and, over in Saudi Arabia, the newly-onstream Saudi Bahrain Cement Company. But some dislocations are inevitable. The link roads are being blasted through outlying villages near Manama, and families will have to be relocated. The causeway will also plough through the world's largest prehistoric graveyard of 100,000 tumuli, and archaeologists reckon that only about a fifth of the burial chambers can be excavated and preserved in time. Furthermore, the prospect of more large-scale dredging is bad news for the local shrimp fishing industry, which is only just beginning to recover from earlier disturbances of breeding grounds.

For the consortia that failed to land this prestige contract, the new determination with which the contract is being executed will be like rubbing salt in a still-open wound. Talk of a physical link between the two countries has been going around for at least 20 years, but things started getting serious in 1975, when the first design specifications were drawn up by the Danish

architects Christiani and Nielsen, who subsequently became partners in Saudi-Dutch Consultants and have advised the Saudi government on the causeway project from the beginning.

By 1978 prequalification documents were available, although no official date for prequalification was given. No fewer than 213 firms from 26 countries collected the prequalification forms, which consisted of a two-page project description and four pages of diagrams. At that stage companies were told that the entire project would be let in one contract, and that the 25km distance would be made up of a 3km road across the Bahraini island of Umm Nasan, 10km of embankments, and five steel box-girder bridges, totalling 12km. Then 125 of the companies, grouped into 39 consortia, sought prequalification.

The scene then switched to Washington and the World Bank headquarters. A working team of nine World Bank experts, two Saudis, two Bahrainis, and three representatives of Saudi-Dutch Consultants was set up to make recommendations to the Joint Technical Committee. The team met in April, May and June of 1979, at a time when many thought that the causeway project was dying a slow death; the Saudis were feeling particularly cost-conscious at the end of their second Five-Year Plan, and the cost of the project was being put at more than \$1bn.

Suddenly the mood changed. The second big boost in oil prices had made the cost constraints less pressing, but more importantly perhaps, the World Bank experts as well as interested contractors had persuaded the committee to consider using cheap reinforced concrete rather than steel for the bridge work, and in November 1979 tender documents were issued asking for alternative designs as well as a 'conforming' bid that included steel structures.

Of the 39 consortia which had sought prequalification, 18 were originally selected to tender, but with the agreement to allow alternative reinforced concrete designs, another four were added. Then the highly-successful South Korean firm, Hyundai, fell foul of the Saudi authorities after an alleged bribing incident and its name was struck off. Although nobody could still be sure that the causeway would go ahead, the competition among bidders began to hot up.

Because of the heavy dredging component it was considered that Dutch companies always stood a good chance. But the fancied French consortium led by Spie Batignolles had enlisted the services of the Japanese dredging experts, Penta Ocean Construction, which had been working on the Suez Canal widening project. The other Japanese companies were dealt something of a body blow by the decision to allow concrete rather than steel designs. The deadline was 30 June, 1980, and 16 consortia of the 21 that had prequalified submitted bids, many of them inflating the size of their bid bond to hide the actual size of their bid.

As the adjudication process dragged on into 1981, the rumours grew. One factor became clear: local participation or partnership was going to be looked on favourably, and this was confirmed when only a handful of competitors were asked to extend their bid bonds in January. Three favourites emerged: Bandar Ballast International, the Bin Laden Consortium, which included West German, Japanese, Saudi and Bahraini interests, and the Franco-Japanese-Saudi Group led by Spie Batignolles. By April it was clear that the Saudi-Dutch team, with Mitsubishi in harness, had won the coveted prize.

But suspense and protocol continued the last, and nobody would confirm the contract until the Saudis made the official announcement after their new budget in May.

The long-term prospects are hard to gauge, and depend to a large extent on the degree to which Saudi Arabia's relatively

austere lifestyle influences that of Bahrain. For if Bahrain remains the more congenial place, for foreigners to live in, then with the causeway easing communication between the two countries, more firms from abroad, including the West, might be expected to establish Bahrain as their base for Saudi operations. A spokesman for Prince Bandar, who owns a majority stake in the Bandar Ballast International consortium, has said that the causeway is likely to confirm Bahrain as an offshore commercial and financial centre for the Saudi Arabian kingdom.

What is not yet clear is whether the Saudi authorities might put pressure on Bahrain to provide worker dormitories for Asian labourers employed on Eastern Province projects; if this happened it would of course provide a bonanza for local importers but might seriously strain some of Bahrain's other social services, notably water supply.

CSO: 4300/70

COMMENTARY ON KHOMEYNI 'COLLUSION' WITH ISRAEL

NC301629 Free Voice of Iran [Clandestine] in Persian to Iran 1500 GMT 29 Jul 81

[Unattributed commentary]

[Excerpts] Compatriots! When, on the day after the revolution started, no one yet knew what plans Khomeyni and his coterie had for the Iranian nation, suddenly people started zealously chanting the slogan of "Today Iran, tomorrow Palestine." This raised the question among many of those who were observers of the events on what relationship there was between the developments in Iran and Palestine. The Palestinian problem is a world problem while the incidents in Iran are domestic events, and the first has turned into a labyrinth in which the world has been lost, while the second is a knot that can be opened only by prudent hands.

A relationship could not be found between the Iranian revolution and Jerusalem's freedom and we therefore came to the conclusion that Tehran's street demonstrations which made the shah leave the country would be followed by the sequence of Palestine's freedom and that the formidability of these newly arrived men making such claims would shock the Jews who would free the occupied territories and flee. But suddenly one day the world became aware of Khomeyni's secret collaboration with the Israelis, and suddenly everyone realized that all those inflammatory slogans which were put into the people's mouths, written on walls and continuously repeated were only used to mislead the people.

The Israelis planned to keep the Palestinians busy with Iran, to stir the Palestinians' interest in Khuzestan--which can have similarities with the lost territories--to fill the Palestinians' pockets with the great oil incomes [of Iran] and, in short, to open a new front for the Palestinians and to thus reduce the great congestion of Palestinians in countries around Israel and, by dispersing them, to boost the security in Israel's border areas, to reduce subversive activities and to at least alter the Palestinians' offensive positions to defensive ones. This was a sly and deceitful plan to which the Palestinians were attracted in the start. But this zeal was not longlasting, and the Palestinians came to their senses very soon, realized that they are being kept at a distance from their main objectives for the sake of (?deceitful things). [They realized] that Khuzestan will not be a Palestine for them and that if they stop thinking about Palestine, they will be Palestinians no longer and the rights for which they have struggled so much will be taken away from them.

When this plan failed, the Israelis then discussed their plan for the war with Iraq with Khomeyni's regime. The Israelis feared no Arab country as much as they feared Iraq. Iraq was a staunch enemy whose unharmed armed forces could be a great danger for Israel at any given opportunity. By sparking off the flame of war with Iraq, Khomeyni could give Israel its peace of mind. Khomeyni accepted this plan and in return Israel promised not to deprive him of assistance.

The Argentinian plane that crashed in Soviet territory last week and which was carrying a large quantity of arms and spare parts for Khomeyni's "victorious Islamic army" was one of the hundreds of aircraft carrying arms for Khomeyni from Israel. Foodstuffs have been brought, medicine has been brought, spare parts have been brought, and experts and engineers were also brought so that Khomeyni could prepare himself to deceive a nation and to start a war in the name of Islam, to send the country's youths to meet their death and to kill these youths by the thousands. But Israel's assistance to Khomeyni's regime is not limited to these only. Israeli planes, bearing emblems of Khomeyni's Islamic Republic, are bombing Iraqi positions, and Khomeyni is ticking these off as his own conquests. Israeli agents carry out extensive propaganda in all the mass media for Khomeyni's self-invented regime and to crush opponents of his regime. And the London BBC commentator and Khomeyni's friend and helper, John Turner, in his commentary last night built a national and popular figure out of the coolie Raja'i and called the Islamic regime a "popular" regime. Khomeyni continues the same (?intrigues in Iran and tries to deceive the people).

Israel has even become more Catholic than the pope. It encourages the Americans not to stop their (?moderate) and conservative policy toward Khomeyni and his regime and not to think that Khomeyni's regime will make a mistake and harm U.S. policy in the Middle East.

If these unsaid secrets were (?well kept) until last week, they have now been revealed with the crash of the Argentinian plane that was carrying Israeli arms and spare parts to Iran, and the world press is dauntlessly pushing aside the curtains and opening the hand of Khomeyni and his likes in front of the world public opinion. The world now knows what the slogan of "Neither East nor West" means, because a regime that is "Neither East nor West" is (?actually a deceitful middleman) which makes a deal with the West against the East and vice versa and uses all the (?possibilities) in order to keep upright some way or other. And its most disgraceful act is that it colluded with Israel against Iraq, against the Palestinians and against all the Muslims who have been striving for the salvation of Jerusalem for 40 years now.

CSO: 4640/58

CLANDESTINE RADIO ON BANI-SADR ESCAPE, BAKHTIAR COMMENT

NC301613 Voice of Iran [Clandestine] in Persian 1805 GMT 29 Jul 81

[Text] The voice of the republic announced today that Abolhasan Bani-Sadr has fled Iran for France together with Mas'ud Rajavi in a military aircraft piloted by the late shah's special pilot and that he has joined Bakhtiar and the monarchists in Paris. In its midday newscast the Voice of the Islamic Republic added that Bani-Sadr and Rajavi arrived in Paris military airport in a military Boeing 707 piloted by Colonel Mo'ezzi, the same pilot who took the shah of Iran and entourage from Iran to Morocco. The Iranian Government has requested Bani-Sadr's extradition. The request has been handed by the Foreign Ministry to the French ambassador in Tehran. Khomeyni's radio added that Bani-Sadr and Rajavi fled Iran on the anniversary of the late shah's death and went to Paris, using Turkish and Greek airspace.

A Voice of Iran correspondent reports from Paris that the plane carrying Bani-Sadr arrived in a military airport near Paris at 0400 Paris time. Five other people were with Bani-Sadr in the aircraft, and one of them was Mas'ud Rajavi. The Paris radio briefly interviewed Bani-Sadr at the airport. He said that he will go to his residence and join his daughters who are there. Our correspondent reported from Paris that at 1330 Paris time the French television interviewed Bani-Sadr. In this interview Bani-Sadr called himself Iran's legitimate president and said that the recent elections were (?rigged). He said that only 15 percent of the Iranian people participated in the recent elections, while during the elections held during his time more than 90 percent of the people participated.

Our correspondent reported from Paris that Dr Bakhtiar was interviewed immediately after the interview with Bani-Sadr. Mr Shapur Bakhtiar said that Bani-Sadr is guilty, because he is among the engineers of the illegitimate regime in Iran today. Shapur Bakhtiar added that the bloodthirsty Eichmann, Khalkhali, was brought to power by Bani-Sadr, and Bani-Sadr is a partner in all the crimes committed by the present Iranian regime.

CSO: 4640/58

IRAN

CLANDESTINE RADIO CARRIES EMPRESS FARAH'S MESSAGE

GF291940 Voice of Iran [Clandestine] in Persian 0330 GMT 29 Jul 81

[Recorded message issued by Empress Farah Pahlavi on anniversary of death of late shah of Iran--no date given]

[Excerpts] On 28 July 1980, our dear king (?departed) this world. For us as Iranians this would be a [words indistinct].

Your Majesty, today is exactly 1 year from that hot midsummer day when I last kissed your cold forehead. On that sad day you left us forever and went to an eternal place where there is no sign of the hurt, misery, sadness and [words indistinct].

You expended all your efforts for the benefit of a nation that has enjoyed a very rich and historical culture and with its immense intelligent and hard-working human wealth and the God-given natural wealth [words indistinct] possibility of all forms of progress. [passage indistinct]

[Words indistinct] such sacrifices will not be without results. It will be the basis of new efforts and [words indistinct] every time. It is with reliance on such a fact that all those whose heart beats for Iran are putting up with the (?terrifying fire started) by Khomeyni. There is no need for me to explain this [word indistinct] for you or say what is happening in your [words indistinct] land now, since I know that you [words indistinct].

I am sure that none of these facts are hidden to you, since no father can ignore his children's pain, and you now--just as when you were in this world--are deeply (?aware) of all the suffering and [word indistinct] of all Iranian people, whom you considered your children. [passage indistinct]

The happiness is becoming less and less and the sadness greater and greater in present-day Iran. However, in (?all of this death and cruelty), they [the people of Iran] have faith. This is the faith for which you set the example. The God of Iran will not leave this land of (?culture) to the hands of faith and will not leave its oppressed people to their misery and hopelessness. I know that their faith and vigil will be a flame that will finally result in the victory of light over darkness. I am certain that the Almighty will grant you your last prayer

and will again lead the Iranian nation to their salvation. The way to salvation is appearing on the horizon of history. The various strata of the Iranian people are getting more organized every day and are becoming more combative against this cruel, inhuman and antinationalist regime. The patriotic soldiers of the armed forces, the zealous and brave tribes, the threatened women of Iran, the [word indistinct] clergy, religious minorities, [words indistinct] office workers and Iranians abroad and [words indistinct].

Reza Shah II, who according to the constitution is our shah and the guarantor of our national unity, is feeling the heavy weight of his responsibilities more and more every day and is preparing more and more to carry them out. Naturally, I, as an Iranian, as your wife and as the mother of your children, will do all that is in my power to [words indistinct].

CSO: 4640/58

LOCAL OPPOSITION PRESS SILENCED, FOREIGN REPORTERS EXPELLED

Nicosia CYPRUS MAIL in English 11 Jul 81 p 4

[Article by Phil Davison]

[Text] Istanbul, July 10.

IRAN's Moslem fundamentalists, who control government, judiciary and legislature, have silenced domestic press opposition, restricted freedom of speech and most recently launched a campaign against the foreign press.

In the past year, the clergy-backed government has closed down more than 20 opposition newspapers and driven critical political pamphleteers back underground, where they once operated against the Shah's regime.

More recently, the fundamentalists have launched a campaign of intimidation against foreign reporters and religious leader Ayatollah Ruhollah Khomeini has asked Iranians to watch one another and report any «counter-revolutionary» gossip.

In the euphoric first few months of the Islamic revolution, when soldiers and revolutionaries paraded with red carnations in their rifle barrels, the streets of Teheran were a babel of political and religious discussions, publications, posters and tape-recordings.

The freedom of expression was stunning: while the Iranian army was busy crushing ethnic Kurdish rebels in the West, you could buy Kurdish guerrilla

posters or their music in central Teheran.

Despite the Islamic nature of the revolution, communist literature and portraits of Marx and Lenin were on sale everywhere.

In spite of the popularity of Ayatollah Khomeini, spearhead of the revolution, Iranians could criticise him or his followers at the risk of nothing more than a fist fight.

The gradual erosion of freedom of expression began a year ago when the independent daily newspaper Bamdad was forced to close down after crowds of Islamic fundamentalists had occupied its offices on several occasions.

The popular daily Ayandegan was shut down by the authorities, as were the organ of the Communist Tudeh Party, Mardom, and some 20 smaller publications.

Paint

Even with those papers, gone, opposition to the clergy's overwhelming role in the post-revolutionary establishment was still expressed in the dailies Mizan, which supported the bourgeois policies of former Prime Minister Mehdi Bazargan, and Islamic Revolution, published by then President Abolhassan Bani-Sadr.

The offices of Mizan (which means «scales of justice») were vandalised last November and slogans such as «death to liberals» were painted on its walls.

When Mizan, in an editorial last April, questioned whether Ayatollah Mohammad Beheshti had the right to be at one time the leader of the dominant Islamic Republican Party (IRP) and also Iran's chief justice, it was ordered to close.

The closure brought a strong reaction from President Abolhassan Bani-Sadr, whose newspaper Islamic Revolution was then left as the only publication critical of the fundamentalists.

«We must defend freedom at any price, and especially freedom of the press», the President said. «If a newspaper insults me, I do not want it prosecuted because I know, and past experience makes it clear, that tyranny over the press is the beginning of complete tyranny».

Mizan re-appeared and was shut down again but this time it was not alone. President Bani-Sadr's own paper, Islamic Revolution, was also banned, effectively silencing opposition to the fundamentalist regime.

Mr Bani-Sadr's paper had irked the authorities for many months through its forthright criticism but particularly because of the regular «President's diary» column, in which Mr Bani-Sadr attacked the direction of the revolution and often even Ayatollah Khomeini himself.

Mr Bani-Sadr was also commander-in-chief of Iran's armed forces and was believed to

have gained the support of significant sections of the military.

Attacked

Politically, however, his Presidency gave him little more power than a veto over appointment of cabinet ministers and the newspaper column was his strongest influence over the Iranian people.

In the column, he had attacked all strata of post-revolutionary Iran, including the clergy-backed government's long refusal to negotiate the release of the American hostages.

With the ban on the President's newspaper, the Moslem fundamentalists eliminated domestic press criticism and effectively added the Iranian media to their sphere of control along with the cabinet, the revolutionary judicial system and the Majlis (parliament).

The press closures leave two major morning and two evening newspapers in Iran, all four supporting the line of the fundamentalists and the government.

The morning papers are Azadegan and Islamic Republic, the latter the organ of the Islamic Republican Party which is the country's major power bloc.

Ayatollah Beheshti, the IRP leader and one of its founders, was among more than 70 religious and political figures killed by a huge bomb at the party's Teheran headquarters last month.

The evening papers are Kay-

han and Ettela'at, both of which describe themselves as independent but say they support the line of the present government.

The state radio and television, officially known as «The voice and vision of the Islamic Republic,» are directly under the control of the IRP.

They reflect no opposition and often broadcast the speeches of Ayatollah Khomeini or other religious leaders at full length or even several times in one day.

The long-standing official Pars news agency functioned under the Shah's régime but its executive positions were largely purged after the revolution and it now reflects the line of the IRP-backed government.

Having tightened the screws on the domestic press, Ayatollah Khomeini last week called on Iranians to watch one another and report anything suspicious to the authorities. «From now on, you are all members of the intelligence organisation», he said.

In an article along the same lines, the IRP's paper Islamic Republic told Iranians last week: «You may hear lots of things on a bus, in a taxi, in a doctor's office, and public places about political issues».

The paper said in an editorial: «Inform the officials of every bit of information you may come across and they will investigate and identify the counter-revolutionaries».

«The C.I.A. alone has over 1,000 reporters for gathering intelligences», the paper wrote.

«... news of the June 28 disaster (the bomb blast at the I.R.P. headquarters) reached the BBC in less than five minutes.

Expelled

The speed with which the two foreign news agencies in Teheran at the time, Reuters and Agence France Presse reported the bomb blast apparently annoyed the Iranian media and sparked the latest campaign against the foreign press.

The reports bounced back into Iran on the Farsi language service of the BBC, to which many Iranians tune in as a result of the lack of Iranian media.

Reuters reported the death of Ayatollah Beheshti, from its own sources, hours before the official Iranian media.

When a Reuter reporter in Teheran telephoned the official Pars news agency to ask for its version, he was told: «Yes, we know he is dead but we cannot publish it».

In the past week, the campaign against the foreign press built up. The Islamic Republic newspaper described David Hirst, Middle East correspondent of the Guardian, as «The famous British spy».

The government ordered Reuters to close its bureau in Teheran and gave myself and two other correspondents, Barry May and Alan Philips, 48 hours to leave the country.

ARMED ATTACK NETS BANDITS FOUR MILLION TOMANS

Tehran KEYHAN in Persian 20 Jul 81 p 2

[Text] Karaj--KEYHAN--In an armed attack against a car carrying money belonging to the Sepah Bank in Karaj one person was killed, three others were wounded and more than 4 million tomans in bank funds were stolen.

At 1415 yesterday three armed men riding a Peugeot car with a temporary license blocked the path of a car at the intersection of Kemali and Barghan Streets carrying money collected from the branches of the Sepah Bank to be delivered to the main branch. They opened fire from both sides and as a result a bank watchman by the name of Haj 'Ali Agheshteh was hit by the bullets and killed. Bahman Ruzban, another bank watchman, was hit by bullets in the stomach and a bank clerk by the name of Mehdi Diniar was wounded in the shoulder. Meanwhile, a woman passerby by the name of Huriyeh Kalbasi, who was hit in the head by bullets, was taken to the Kasra hospital by a group of people. All of the wounded are being treated. Huriyeh Kalbasi and the bank clerk were taken to Tehran for operation because of the seriousness of their wounds.

During this attack, the armed men succeeded in escaping with a Peykan car carrying more than 4 million tomans.

This case of theft is being prosecuted by the Karaj police. Meanwhile, last night the police received a phone call that a Peugeot car with a temporary license and a Peykan car had been abandoned behind the Morad-e Ab hills on a dirt road. There is no trace of the cars' occupants. Following investigation, it was discovered that the cars found in that locality are the Peugeot used by the armed bandits who had stolen it, and the Peykan bank car containing the money.

The last report filed by the KEYHAN reporter from Karaj indicated also that this morning Haj 'Ali Agheshteh, the Sepah Bank watchman killed during the attack by the armed robbers against the car carrying the bank money, was taken from the Sepah Bank in Karaj by the people to the city's cemetery where he was buried.

CSO: 4640/59

IRAQI CEASE-FIRE CONDITIONS LABELLED 'USELESS EFFORTS'

Tehran JOMHURI-YE ESLAMI in Persian 21 Jul 81 pp 1, 3

[Text] Today, Iraqi foreign policy suffers from much ambiguity and confusion. The Iraqi regime suffers from unbearable, deadly difficulties resulting from its Zionist aggression on the sanctuary of the Islamic homeland of Iran.

Recently, Tareq 'Aziz, in connection with the military aggression on Iran, had made certain statements that on the one hand bespeak the extremely weak morale of the leaders of the Iraqi regime, and on the other, show the complete political bankruptcy of this regime.

Tareq 'Aziz, the deputy prime minister of the Ba'th government of Iraq, said in a speech in Baghdad that the government of Iraq is prepared for a "just" and "honorable" solution for both sides.

While Tareq 'Aziz was making these statements, justice was saying, an eye for an eye; "honor" has dictated and dictates the crushing of the aggressor to its unquestionable annihilation. It is ridiculous; more than 10 months have passed since the aggression of Saddam's army on Iran; the Ba'thist army has made ruins of several of our valuable provinces; it has inflicted tens of millions of dollars of damages on this nation; and most important of all, it has massacred thousands of the best children of this land. And now it is looking with trembling steps for a "just" solution. It is really ridiculous.

It is ridiculous; but even more ridiculous is that Tareq 'Aziz has so unabashedly said that any solution to end the war must be based on the three principles of (1) no force or threats in resolving the differences, (2) mutual consideration for the sovereignty and non-interference in the internal affairs of the countries in the region, and (3) open shipping in the Persian Gulf and the Straits of Hormoz.

Why does the deputy prime minister of the Ba'thist government of Iraq bring up these three principles to "solve the disputes"? Perhaps it can be safely said that Tareq 'Aziz did not mean to arrive at a just solution. With this speech, he only wants to accuse the

Islamic Republic of violating the above-mentioned principles. Whereas, the Islamic Republic of Iran has never tried and will never try to resolve its deep rooted differences with dependent governments and reactionary leaders such as Saddam through violence. Essentially, it does not find it necessary to resolve its differences with the likes of Saddam. We have always preferred to pave the way for the growth in awareness of all downtrodden nations, especially the Moslem people of Iraq, and we believe that with the awakening of the Iraqi nation, there will remain no trace of Saddam for us to try to resolve our differences with, whether through peaceful or violent means. From our point of view, this is the only way that the government of Iraq will be recognized. We consider those who give financial, military or political aid to the Ba'thist government and who try to delay its downfall as servants of imperialistic policies and we believe that such forces cannot be friends of the Arab people.

And we emphatically ask them to avoid interfering in the internal affairs of their brother nation. If Tareq 'Aziz declares the principles accepted by his own government, as it was mentioned, he must justify the presence of the aggressive army of the Ba'ths on Iranian territory as a violation of the above principles. And if he considers the violation of those principles a sufficient excuse for aggression against the sanctuary of an Islamic country, he surely will find it justifiable that when his own government violates those principles, the neighboring countries of Iraq should also attack its borders and occupy some of its territories.

The Islamic Republic of Iran, in the course of its life of two years and a few months, has proved by its various positions and actions that it does not believe in violating any of the above-mentioned principles. The world witnesses that Iran has been fighting Iraqi aggression for 10 months, under the harshest conditions, in the most serious manner and it must bear witness that (while other countries only claim to support non-aggression and avoiding threats in resolving the differences between the countries in the world) the Islamic Republic, by sacrificing its best children, has entered, in practice, into a battle with those who behave contrary to all humane principles and internationally accepted bases and contrary to all of their own claims, who believe in force and the use of military violence to attain their defiled objectives. The truth is that no nation or government believes more than our nation and government in the principle of non-violence in resolving its differences with neighbors. Our combative forces are fighting with astonishing perseverance on the bloody and dangerous front in the west and south in order that no dictator or roughneck imagines that he can achieve his unjust intentions through the force of bullets.

this is at a time when the Iraqi government continues to act with the unjustifiable presence of its soldiers, openly and actively, contrary to the first principle of what Tareq 'Aziz says. And this

is at a time when the political circles in the world have not forgotten that the Ba'thists used threats and fear tactics against their Arab neighbors to force their wishes and resorted to sabotage and bombing within the borders of Kuwait in order to occupy Bubiyan Island.

The second principle that the deputy prime minister of Iraq offers as the foundation of any sort of peace is more ridiculous than the first principle. While thousands of Iraqi soldiers have occupied part of the Islamic land of Iran, he speaks of respecting the sovereignty of the countries in the region. By bringing up this principle, he tries to imply uncertainty about whether Iran is trying to interfere in the internal affairs of other countries. It is really strange! If Radio Iran speaks of the Koranic law for the people and arouses them to protect the hero of Islam, this is considered interference in the internal affairs of another country, but when Saddam demands, in an interview with AL-ANBA', the deportation of the Iranians residing in that country, this is not interference in the internal affairs of another country. It is not clear why the broadcast of a few hours of Koranic interpretation, discussion of religious problems, and offering a few correct analyses of international issues is called interference in the internal affairs of another country while Iraq's adventurism before the war, instigating disturbances in Iran, escalating racial war, and numerous bombings, which according to documented evidence clearly demonstrate the direct interference of the Ba'thist regime, is not called interference in the internal affairs of the Iranian nation.

It is said that the thief always shouts "thief, thief" louder than everyone else. It is clear from the statements of Tareq 'Aziz that Iran's silence about the intrigues of Iraq in the Persian Gulf has upset the Ba'thists. For some time now, this country has been pressuring the government of the Emirates against its will. Of course, we hope that the United Arab Emirates resists the blackmail and threats as before. But what is the intention of the Ba'thists in putting the Emirates under pressure? All political circles in the world know that the Ba'thists, in order to invite the United States into the Persian Gulf, want to set fire to this oil-producing region; and the starting point of this conspiracy are the three strategic Iranian islands. And all the political circles of the world know that if Baghdad succeeds in its plans, for a while, open shipping in the Persian Gulf and the Straits of Hormoz will be disrupted due to the war conditions which will ensue, and this is exactly the excuse that the United States needs to occupy the region. The United States has long realized that none of its dependents and puppets have the ability to protect its filthy colonialist interests in the Middle East. And it has known that sooner or later, if the nations of this oil-producing region do not determine their own destinies, the wheels of history will turn back and the old era of colonialism will be revised in the Persian Gulf; this would mean

that the United States would have an open military presence in the region.

Such a dangerous move would undoubtedly not take place without the preparations of the United States. Now it has been more than a year since Carter, the former president of the United States, made his declaration concerning the vital interests of the Western superpower in the Persian Gulf. In his noisy declaration, he had given himself the right to send the American army into the Middle East should those interests be threatened. Since that time, the propaganda loud-speakers of the West have tried to incline the minds of the people the world towards accepting the American claim.

In order to attack the Persian Gulf, the United States would have to present their important oil passage as a barrel of dynamite about to explode. No one has yet asked himself why the Western press has constantly mentioned the forced war of Iraq on Iran in the last 10 months as the "Gulf war" (although it has had no direct effect on the Persian Gulf and open shipping in it, aside from a few unsuccessful attacks by Iraqi airplanes on Kharg Island). Is their goal anything but the use of this open aggression as propaganda to prepare the grounds for the military occupation of the region by the United States?

In order to attack the Persian Gulf, the United States needs a spark which will set the whole of it on fire and the Iraqi government, if even for the sake of pleasing them, is trying hard to light a flame in the Persian Gulf. It is really shameful that a government--after its conspiracies to invite the American executioners into the Persian Gulf and to destroy the security of the whole region have been exposed to the political observers--considers one of the main conditions for resolving its disputes with Islamic Iran as open shipping in this Gulf and the Straits of Hormoz.

We warn our southern neighbors that the government of Iraq has become the fire carrier for a show which will result, more than everything else, in damaging the independent character and, essentially, the existence of the smaller countries in the region.

The Ba'thists of Baghdad will not derive advantage with trapeze acts such as the speech of Tareq 'Aziz. Instead of issuing new conditions for peace every now and then, they had better prepare themselves for a history-making defeat.

The Iraqi regime will not derive advantage from these desperate efforts.

9593

CSO: 4640/62

BRIEFS

PAKISTANIS CONDEMN ARTICLE ON IRAN--Our correspondent in Karachi has reported that the Pakistani paper JANG has published an insulting article about Imam Khomeyni, over which the people of Karachi have expressed strong grief and anger. Yesterday evening at a great gathering in a Karachi mosque, Maulana 'Abbas Haidar 'Abidi [not further identified] strongly condemned this article and strongly assailed this criminal paper. All of the Karachi organizations as well as the All-Pakistan Shi'ite Council in a published statement have protested against the paper's impudence and have condemned the criminal paper. Members of the general public in Pakistan are condemning the impudence of this paper through the agency of the Iranian consulate at Karachi. [Text] [GF261751 Zahedan International Service in Urdu 1530 GMT 25 Jul 81]

IRANAIR RESUMPTION OF KARACHI FLIGHT--Iranair has announced that effective 4 August, the airline will resume its flight to Karachi. A plane will fly to Karachi every Tuesday and will return to Tehran the same day. [Text] [GF291616 Tehran International Service in Urdu 1315 GMT 29 Jul 81]

FORMER GENERAL'S PLOTTING REPORTED--World news agencies have reported that General Aryana, a reputable officer and commander, is trying to inflict the last blow to Khomeyni's regime. General Aryana, who is said to have established himself in a point in Iran and on the Iranian-Turkish border, has formed an organization within Iran consisting of reputable officers who support Iran's freedom. General Aryana has said that at present he is preparing, with the help of freedom fighters, to inflict the last blow on Khomeyni's regime in order to save Iran from the bunch of ruling terrorists and criminals. Opposition groups, too, have expressed their support for General Aryana and have intensified their activities in order to enter the scene at the opportune moment to support the general, who is one of Iran's experienced commanders. General Aryana has also called on all domestic forces to support him. The liberation forces of Iran, under the command of General Aryana, will commence their activities too. They have called on the residents of Iran's northern towns not to leave their houses at night and on the armed forces to join the liberation forces, with all their materiel, upon the call to action. The moment for the armed forces' officers and NCO's to join the liberation forces will be announced later. [Text] [NC281756 Free Voice of Iran [Clandestine] in Persian to Iran 1500 GMT 28 Jul 81]

CP LEADER'S INTERVIEW REPORTED--In an interview with the AFP, Secretary General of the Iranian Tudeh Party Kianuri endorsed the suppressive policy of Khomeyni's regime and stated that the patriotic youths being sent to the gallows in groups are worthy of death. According to him, the punishing of freedom fighters who do not succumb to the disgrace of supporting the clergy and have risen to save the homeland by execution is entirely correct. Nureddin Kianuri added that as long as the regime continues its anti-imperialist policy, the Tudeh Party will support it. However, he made no reference to what he means by anti-imperialism and did not mention anything about Soviet imperialism, toward which Khomeyni is approaching more and more each day. Mr Kianuri also made no mention of the direct affiliation of the Tudeh Party with Moscow or of his servant-master relationship with Leonid Brezhnev. One concludes from Mr Kianuri's remarks that the Tudeh Party, on the orders of the Soviet Embassy in Tehran, has been charged with the duty of continuing to support the Islamic Republic's leaders until the rotten fruit of the Islamic Republic is fully swallowed by Soviet imperialism and [words indistinct]. [Text] [NC291914 Radio Iran [Clandestine] in Persian to Iran 1330 GMT 29 Jul 81]

CLERGYMAN KIDNAPPED--Kurdish Peshmerga have kidnapped Ayatollah Mostafa Moradi, Khomeyni's representative in Baneh. Reports from Kordestan state that the night before last a number of Kurdish combatants attacked Sheykh Moradi's residence and after killing the Revolution Guards protecting him, took him captive. In a statement left at Sheykh Moradi's house, the Kurdish combatants condemned the sheykh for close cooperation with Khomeyni. It is said that Moradi has played a major role in crushing the freedom fighters and the mass murder of Kurdish brothers. [Text] [NC291828 Radio Iran [Clandestine] in Persian to Iran 1330 GMT 29 Jul 81]

CSO: 4656/1

SAMET COMMENTARY ON REAGAN MIDEAST POLICY

TA291603 Tel Aviv HA'ARETZ in Hebrew 29 Jul 81 p 9

[Commentary by U.S. correspondent Gid'on Samet: "Reagan's Reeducation"]

[Text] The cease-fire in Lebanon is a good opportunity to reexamine what happened in the last few weeks. However, this pondering--even if no longer as angry and temperamental as in the middle of this month--does not restore any previous situation, but rather opens a new chapter in the relations between Washington and Jerusalem.

Beyond the criticism of Israel's policy in the last few months--which was sometimes more and sometimes less justified--the U.S. administration has no other choice but to thank Israel for a service rendered. Israel forced the administration to reconsider its Middle East policy. This reconsideration gradually made the administration reach some unpleasant conclusions which will certainly not please Israel either. The U.S. policy in our area had been covered with myth, phraseology and generalizations, but Israel lifted one after the other the veils of "make believe."

From the beginning of this administration the United States thought the Middle East would be the proper arena for implementing its political and global philosophy regarding the East-West confrontation. U.S. policy enthusiastically believed that it would be able to translate its aspiration to push the Soviet Union away from any site into the geopolitical and diplomatic terms of the eastern Mediterranean Sea basin and the Persian Gulf. [as published] Then Israel came along and showed it--beginning with the AWACS, through the Iraqi reactor and concluding with Beirut--that the real truth is that of the Israeli-Arab conflict. Jerusalem did not do so in order to prove its justness in the strategic argument. Through the offices of Mr Begin, Israel acted only according to its own considerations and timetable. However, this was enough to show the hollowness of the strategic consensus of its friend.

So long as America is embarrassed only by the opposition to the supply of sophisticated equipment to Riyadh or the destruction of the nuclear reactor, Israel has and will continue to have its advocates. The dangerous limit was the bombing on Beirut. The great difference between the dispute over the AWACS in Baghdad [as published] on the one hand and the bombing on Beirut on the other stemmed

not only from the scope, the sensitivity of the moral aspect and the especially infuriating timing, and not only from the fact that it was a question of a load reaching a critical level or that it was a straw that broke the camel's back. A second and more sober look must show that because of Beirut the United States was forced to become finally persuaded that it has taken the wrong route in the Middle East.

This is a painful lesson to the largest superpower. The United States has not yet reached the conclusion that it must change direction in its bilateral relations with the Soviet Union and its failing policy in Central America, yet it is about to reach such a conclusion concerning our area. The change is that, against its will and conception, the United States has been dragged into reaching the conclusion that it must initially deal with an in-depth solution to the Israeli-Arab conflict. The current strategy has proved to be very harmful for the administration. Because of it the U.S. administration paid a dear price in the Muslim world even before it had time to hope that this strategy would produce some benefits.

Israel was the first to implement this policy. Syria, Iraq and the PLO--Moscow's clients according to the U.S. conception--were an easy target for Israel. Israel's free translation of the U.S. conception soon showed Washington what it could not have known in theory: the anti-Soviet strategy in the Middle East is full of contradictions and obstacles.

Soon afterward, the Muslim world accused the United States of cooperating with the Israelis--which, on the surface, seemed to be dancing to the U.S. tune--or, at least, the United States was unable to restrain them. The United States made the worst of two worlds: Muslim reticence, a dispute with Israel, a strengthening of Soviet penetration instead of the opposition and it gained the reputation of someone who does not exactly know what it wants in the most sensitive area in the world.

The lesson in the last few months was so blunt and convincing that there is no need today for a complicated and thorough look deep into the heart of the decision-makers in the U.S. administration. The change seemed inevitable and it was made all the more easy by the fact that it did not have to face an established policy which had to initially be proven wrong.

The implications of the change are more serious since it was not by accident that the administration set its priorities regarding the Middle East upon taking office. The implications are very serious as far as the administration is concerned but they may be chiefly painful to the Israeli friend which had unintentionally shown it the way. This change will, first and foremost, call for a significant acceleration of the debates on the future of the West Bank and for striving toward a "comprehensive and thorough solution" of the Palestinian problem. The special status of the U.S. presidency, mainly during the term of such a popular president, has caused Mr Reagan's approach to infiltrate the ranks below him. It will not be simple (the bombing on Beirut has made it much easier) to provide an elementary justification to something which has thus far been regarded as undesired or not urgent.

It is not simple because this issue is vital to a friendly state such as is Israel. To make such a move--there have been increasing calls to this effect in influential papers (the WASHINGTON POST, NEW YORK TIMES), by former administration officials (Vance, Brzezinski) as well as by the Arabists who have again come to the forefront in the State Department and the Pentagon--would mean to get embroiled in a complicated and perhaps insoluble situation. The situation is complicated because the President regards the PLO as a despicable organization and there is so far no indication that the PLO will give the President and his staff as much as the end of a thread to hang on to.

The tactical and fundamental questions stemming from the process of reformulation of the U.S. conception are no less painful. The administration knew what it had spared itself of when it decided to delay this process as much as possible: in spite of all the foreseeable complications, is it possible to tackle the Palestinian problem in depth without even conducting indirect contacts with the PLO? Without the PLO, is there any chance of co-opting the Palestinians in the autonomy talks which President al-Sadat is expected to start encouraging as of the beginning of next week? What practical (territorial) interpretation will the United States ultimately be forced to give to UN Resolution 242 when this stops being a coined term and requires a specific interpretation? Will the U.S. merely declarative approach regarding the settlements not be forced to grow teeth and claws?

These are very unpleasant questions for the administration, which was not prepared for them and is now confronted with them to no small degree because of Israel and because of the opportunity it provided to those advocating the political option in the Middle East to resume their offensive here on all levels. President Reagan is currently at a decisive stage of the struggle on his economic policy. If, according to prevailing estimates, he wins the struggle Reagan will be free to make the difficult political decisions due at the end of his "budget round." Reagan's position is, perhaps, the largest unknown factor. Very little has been learned to date on his role in foreign policy and on issues on which he is not so much knowledgeable as he is fervently committed. Not enough is known on the President's decisionmaking process since he is subject to the pressure of experts on world policy and he is aware of his own limitations.

The reeducation of Ronald Reagan--a true supporter of Israel, a leader who speaks very strongly to the heart of the American nation and its leaders--may become an important chapter in the history of the relations between the two countries. As trite as this sentence may sound, it would not harm to mention again the need for the Israeli Government to organize its thoughts and be well prepared for the upcoming difficult debate.

CSO: 4323/30

'MA'ARIV' ON BILATERAL RELATIONS WITH U.S.

TA311108 Tel Aviv MA'ARIV in Hebrew 31 Jul 81 p 13

[Commentary by Yosef Harif: "Haig Is Hoping That 'Minor Things' Would Not Resume the Fire; Habib Demanded That Begin Personally Watch the Local Command"]

[Excerpts] It appears as though someone in the U.S. administration is too nervous, fearing that any small incident might lead to a huge conflagration the U.S. "firemen" would no longer be able to extinguish. But if this is so, it seems that the U.S. administration is again repeating its traditional errors: lack of consideration for Israel's security sensitivities and irrational condemnation of even a just and logical act. All these lead to the opposite results than the administration had hoped to achieve.

However, the U.S. nervousness, dictating not-thoroughly-thought-out reactions to certain administration personalities, must most likely have a deeper cause, but this can be found in the realm of the conscious: Washington knows full well that the U.S.--as well as Israeli--media comment and interpretation saying that Israel had, so to speak, "recognized" the PLO, even indirectly, are not worth anything. It is true that the government of Israel has recognized the PLO, but not as partner to any kind of negotiation, but as an object one should wage a war against. There is nothing in common between the agreement to reach a "cease-fire" with it and this declared objective.

"If the terrorists force a new war on Israel, we will have to invade southern Lebanon," said Knesset member Yitzhaq Rabin, former prime minister and chief of staff, who had reservations about the IDF operation against the terrorists headquarters in Beirut. Namely, despite the "recognition" of the PLO and the "indirect negotiations" with it, in effect nothing has changed.

All this criticism on the government's agreeing to conduct negotiations on "peaceful relations with the president of Lebanon," while everyone knows that what it had in mind was actually the PLO can perhaps serve well the continued strife between the opposition to the government in the inertia of the election campaign, but it cannot change the reality which the United States fears so much: that of a total war against terrorist bases in Lebanon, according to Yitzhaq Rabin's formula. U.S. administration figures may assume that if Rabin thinks out loud about such an option, neither is it a stranger to Menahem Begin's train of thought.

This is Washington's great fear. People there know that Begin does not regard the cease-fire as an ideal as long as the terrorists base themselves deeper and improve the cannon positions directed at Nahariyya, Qiryat Shemona, the Galilee panhandle, Kefar Gil'adi or any other Galilee settlement within the firing range of the katyushas and the cannons. The truth is that no government would have tolerated such a state of affairs as the remarks of the Alignment's defense minister-designate would approve.

One could also sense the U.S. sensitivity from the statements made by President Reagan's emissary, Philip Habib, in a conversation with Prime Minister Menahem Begin just before the Lebanon cease-fire came into effect. Habib and Begin convened in camera and as far as is known, the former pleaded that Israel not react "to every operation" by the terrorists, and that it would act with utmost restraint. Habib also asked the prime minister to ascertain that if a reaction was called for this would not be carried out by the local command in the field or by its superiors without prior examination by Begin in person.

Secretary of State Alexander Haig's message to the prime minister on the cease-fire was written in a similar spirit. Haig praised Begin for the wise and courageous decision, acknowledging the risks Israel had undertaken, but along with the praises, he also laid a modest request and a hope: He hoped, so he wrote, that "minor things" would not lead to the resumption of fire....

It is not clear what are the means by which one measures "minor" terrorist violations, but one thing Haig knew without a shadow of doubt: that "minor" violations can soon lead to a big conflagration. Haig's assumption was, indeed, reinforced in Begin's reply message. Among other things, the prime minister wrote to him that he had already managed to hear that one of the organizations--meaning Jibril's--was not accepting the cease-fire (meanwhile, Yasir 'Arafat has succeeded in forcing him to accept the cease-fire). However, that was not the main point in Begin's message. The main point was the emphasis that it should be clear to the United States that in the event that the terrorists violate the cease-fire, Israel would not be able to keep still for long. Haig could gather that if the silence is broken this time, the Israeli reaction might be irregular.

The desire not to underline the points of friction with the U.S. administration also explains the Israeli silence over the "very grave thing"--as the prime minister put it--committed by the United States: holding up the F-16 aircraft it would have supplied to Israel in accordance with a signed deal. This is a breach of a contract, Begin states. Can we not rely on the United States even?

One cannot nevertheless ignore the fact that the United States has turned the F-16's into a lever with which to pressure Israel. The question the prime minister raised--on whether or not one could rely on the United States--cannot remain hanging in mid-air without an answer from the highest echelons in the United States. Other questions stem from this basic one: What value have U.S. promises resulting from the peace treaty with Egypt, to which the United States is party and on which the U.S. President is a witnessing signatory? What power, then, has the President's view that the PLO has never been chosen as the

representative of the Palestinians...and that it is nothing but a terrorist organization? Moreover, what is the significance of Reagan's declaration about the Middle East: "We should not dictate an arrangement" (and, furthermore, "I would like to make this clear both to al-Sadat and to Begin")? And would Saudi Arabia have the "final word" in shaping U.S. policy in terms of calculations where Israel is concerned?

At present Israel has no problems with the secretary of state, even though it looks as though on the levels under him nothing has changed. What about Caspar Weinberger's Department of Defense? Does the President have faith in it in regard to Israel?

And, in general, what is the "presidential policy" Reagan meant to put into effect and submit his subordinates to?

Do the evolutionary phases of handling the F-16's harmonize with an attitude toward the "natural ally"--Israel--which is "the last deterring element"?

CSO: 4323/30

CHIEF OF STAFF EXPLAINS CEASEFIRE, LEBANON SITUATION

TA241637 Tel Aviv IDF Radio in Hebrew 1505 GMT 24 Jul 81

[Interview with Israeli Chief of Staff Lt Gen Refa'el Eytan by IDF Radio correspondent Tzvi Shapira--24 July, place not given--recorded]

[Text] [Question] Chief of Staff Lt Gen Refa'el Eytan: Today the prime minister announced agreement on a cease-fire. What is the significance of the announcement?

[Answer] The significance is that nobody is firing from both sides of the border, including the Christians in southern Lebanon.

[Question] Is this an agreement between the State of Israel and a second party?

[Answer] No, it is not an agreement. In legal terms, agreement means, I assume, that this is when several parties or two parties sign a document. This is not the situation.

[Question] With whom did we conduct the negotiations?

[Answer] Habib--Philip Habib--mediated. I do not know exactly with whom he mediated on the other side. Here I know that he spoke with us, because there are not several sides here. On the other side, I do not know. The State of Israel asked him to tell the government of Lebanon of what it had to say.

[Question] In your estimation, what led to the cease-fire?

[Answer] In my view, the terrorist establishment in Lebanon was either broken or was about to break. But that does not mean that, in such a situation, they cannot use weapons, a cannon or a Katyusha--this is not what I mean. What I mean is that their entire establishment in southern Lebanon was seriously damaged by us. They suffered at least 100 killed. If we include Beirut, it may come close to 200 terrorists killed. We hit their transportation, we hit their bases, weapons, command headquarters, supply depots, infrastructure and units and, in my opinion, they found themselves in a situation in which their operational framework was almost broken. I would once more remind you that you should not treat what I am saying with skepticism. One can see that the volume

of fire, from last week until today, sharply declined. We can see what this means. We can see what they suffered during the days of our operations. In my opinion, when they realized that as time went on, the more they were hit and hit again they then looked for a way to accept the truce in order to be able to reorganize. In my view, they will try to reorganize with the aid of the Syrians, the Russians and the Libyans in order to stand on their feet again. Then there may be a sign that the cease-fire will end.

[Question] What led Israel to accept the agreement for a cease-fire?

[Answer] Israel is not interested in firing. Israel is interested in peace. Israel wants life to be normal along the border, on both sides, and our military activity was carried out to lead to a situation in which there will be no firing. We acted against terror along the borders. We succeeded. A new problem sprang up, one of terror by means of a modern weapon, a long-range one, the Katyushas and cannons, and our activity restricted their ability to strike. If the firing had continued, in my view, we would have reached a situation in which the terrorists would not have been able to use those weapons. We have not yet said the last word about the methods of our operation. We have not yet said it and we still have many things in our pockets that we can use and, I can say, they are more or less drastic, but they are an additional weight on the terrorists' backs.

[Question] I would like you to return to the entire issue of the fight against the terrorists over the last few days. With regard to the agreement, I wanted to ask what guarantees Israel was given by Philip Habib, who conducted the negotiations, in order that the terrorists' activity should not be resumed?

[Answer] I do not think that anyone can give guarantees that the terrorists' activity will not be resumed. I do not think that Philip Habib gave any guarantees that this activity will not be resumed. This is not an agreement between countries, or between governments. A mediator went to several parties and moved between several parties. He brought what he had to say from one to the other, because they cannot speak directly to each other. Here the spoken word is apparently what is relied upon.

[Question] I ask you, Chief of Staff, how will the IDF work now, in this cease-fire situation?

[Answer] When there is a cease-fire, the IDF does not fire.

[Question] Will Israel, or the IDF, continue to fight the terrorists wherever they are, as we announced? Or will we now halt our fire?

[Answer] Israel has not said that it is abandoning the method of working, the methods of working against the terrorists as it has declared in the past and carried out in the past. If the current situation leads to a stop to terror altogether, then we may have to think about a change in policy.

[Question] Have we not tied ourselves, to a certain extent, with regard to our future ability to act, through this arrangement?

[Answer] I do not think that we have tied ourselves.

[Question] This arrangement commits us to nonaction and if it appears, for example, that the terrorists are reorganizing themselves in the field, building command headquarters, building--bringing in weapons...

[Answer--interrupts] Then we will decide. We have not said that we are putting ourselves in a straitjacket, tying our hands behind our backs and what occurs in the field, we do not see, do not hear, do not react to. We have not said that. Now there is a halt to the terror of all kinds. If we find out that that terror has not halted, or there are preparations to resume it, we will be confronted with a decision and I assume that we will make the correct decision.

[Question] That is, you do not regard this as a change in Israel's policy on the terrorists?

[Answer] The government of Israel has not changed the policy.

[Question] Do you see no fear that this arrangement, or agreement, will be received by the world, or the terrorists, as a precedent for a settlement, or what would be interpreted as a settlement with the terrorist organizations?

[Answer] No. Not necessarily, this should not be the case, we have not spoken with the terrorists nor have we come to any agreement with them. However, there were contacts with the terrorists in the past, there were agreements with the terrorists, there were negotiations with terrorists, with terrorist organizations, on the release of the plane and the crew from Algeria. There were indirect contacts on the release of 'Amram from imprisonment in Lebanon in return for prisoners, terrorist prisoners in Israel, and there were indirect negotiations with terrorist organizations for the release of the Entebbe hostages. It is not important that it was through a third party, but the State of Israel conducted negotiations, and rightly, for a certain purpose. That does not mean that it recognized the organizations, nor does it mean that, by this, it set a precedent it must repeat.

[Question] Yes. Do you think the terrorists regard this as an achievement for themselves?

[Answer] That depends on whether the terrorists try to present everything in their relations with us as an achievement, even if it is a failure. Last night there was a raid by our forces along the coastal axis. We hit vehicles, several terrorists were killed, our forces returned safely. What did the terrorists announce? It appears the BBC heard this from the terrorists--an IDF force was repelled from the coast of Lebanon, it suffered heavy losses; there are no reports about the terrorists' casualties. So, what the BBC says is heard by the whole world and the world knows that there was an Israeli attempt at a raid in Lebanon, it was repelled. We suffered very many losses and the terrorists came out the victors because nobody knows about their losses. This is the way the terrorists present a picture.

We can remember clashes with squads. A squad tried to infiltrate, they were all killed. Nothing was left of it. The terrorists' announcement: Four heroes stopped a military convoy. They destroyed 100 soldiers, they set six trucks on fire. Nobody fell. So, this makes a great, strong impression on the terrorists, it gives them a feeling of victory and this is the way they present themselves in propaganda. We speak about information, we do not propagandize, we are ashamed to speak about propaganda, it reminds us of the time of the Nazis. We speak about information. The information is not taken in by the world. We explain that we attacked the command headquarters in Beirut, because up to now they were immune. From them, orders went out to all quarters of the world for terror. It was there that they planned, organized, absorbed, gave orders. The Arab propaganda says there were 700 casualties--civilians, all civilians. Of course, that is a lie bigger than any ever heard before. We are trying to explain why we went to Beirut, why we attacked and how many civilians were killed compared with how many terrorists. However, our explanation was not accepted.

[Question] What are the facts as the IDF knows them?

[Answer] We know that the command headquarters were destroyed and what was hit, too, when one or two bombs went astray. What was hit were terrorist buildings, that we know from the Lebanese press and, according to the Lebanese press, at that place terrorist installations, equipment, cannons, command headquarters and people were hit. I have a document under my eyes which bases itself on data published in the Lebanese press and I will read it, what is written in it: In the Israeli aircraft's bombing of Beirut on 17 July, heavy damage was caused and several Palestinian centers were destroyed.

The main positions destroyed by the Israeli aircraft are as follows: The destruction of an ammunition dump in (al-Faqwahini). The sports stadium, that is in Beirut. A hit on a PLO command headquarters, the main operational office. The destruction of a position of the Lebanese Arab Army near (al-Sabinas). The collapse of three buildings, one of them a nine-story building, in (Sabra) and (al-Faqwahini). The destruction of Palestinian bases recently established in the (al-Janah) area. A hit on the home of Khalaf Salah (Abu-Iyad). Minor damage was caused to a house in (al-Faqwahini). The three buildings that collapsed belonged to the command headquarters that was bombed. The destruction of a battery of field artillery, 155-mm and 130-mm, six of them, cannons, near the center of the council of the south [as heard]. That is something in the suburbs of Beirut. The destruction of eight trucks carrying rocket-launchers artillery batteries at the entrance to the (Shapila) and (Sabra) camps. The destruction of 80 military vehicles and civilian vehicles near the (al-Dana) station and the outskirts of (Sabra). These are apparently vehicles that were parked in the region of the command headquarters that was attacked. A hit at the position of the deterrent force facing the (Shapila) camp. Three soldiers were killed and 18 injured there. They are apparently Syrians. The destruction of a position of the Arab Liberation Front. The destruction of a position of the Democratic Front for the Liberation of Palestine. In one of the buildings that was hit in (al-Faqwahini) there was the headquarters of the Democratic Front for the Liberation of Palestine and in another building, the headquarters of the Arab Liberation Front. These are the buildings that were hit. The building in which there was the main PLO operations room was also damaged.

[Question] Do we know the number of civilians who were hit in those buildings?

[Answer] No, not from this document.

[Question] And over and above that?

[Answer] The spokesman for the Democratic Front said that the missiles, or our bombs, hit the administrative headquarters of the Democratic Front where a large number of the people in the building were killed and wounded. Another source--a responsible source--from the Democratic Front said that the bombing hit the front's centers, where many people were killed and wounded and there was also damage. There is no reference here, even in one word, to the number of civilians hit. I would remind you that what I have just read is a quote from Lebanese papers which reported on the results of the bombing.

[Question] Today, in retrospect, knowing the implication of this operation on the U.S. administration and European governments, do you still think the operation was correct, or should we have avoided it?

[Answer] I think the operation was right and timely. I do not think we would have enjoyed world sympathy under any other circumstances. We did not gain sympathy when the incidents in Ma'alot or Qiryat Shemona occurred, or when events occurred in Nahariyya or the coastal road. No one applauded us. They scolded us less when we went out on the Litani operation or when we carried out some operation, but we have never been pitied and never has the UN Security Council been convened when we, in our midst, were severely attacked. Not even once was the Security Council convened for such an event. So these condemnations and the cries of alarm, which are largely for specific reasons rather than for reasons of justice, will pass. We are well experienced in this. In my opinion we would not be able to change this conduct and this norm as long as the West is dependent on Arab oil, and when billions of dollars are deposited in European and U.S. banks, and when the Arabs purchase property and assets throughout Europe and in the United States too. Who there would come out against the Arabs? It is not a matter of justice. Saudi Arabia is considered a moderate country and a democratic one--not simply moderate, but also democratic--but there people are beheaded in the market place as punishment. Supposing capital punishment had been given on a terrorist who killed children, what commotion there would be in the world! In the Belfast prison, five or six Irishmen have already died of hunger. In other words, they conduct a hunger strike until they perish. Yet the noble prime minister of Britain did not even blink. She just said: Let them die. What does she care? Do they try to force-feed them? Here if a terrorist-murderer goes on a 24-hour hunger strike, he is already being injected shots and infusions and food and I do not know what else--God forbid that he should feel bad.

I am not against his feeling well, but I am merely comparing the norm of behavior toward us to that toward themselves and others.

So I do not think we should get excited about it. The State of Israel thought that this is what should be done, and it did it. Now that it is done, let them shout.

[Question] But did we take into account, or did we know that so many civilians would be hit? Did we take into account these world reactions, or were we surprised by them?

[Answer] What does the world do when civilians are hit here? We did not set out to hit civilians with malice. All the terrorist targets in the State of Israel are civilian. They have not attacked an army camp even once, either with Katyushas, or with cannons, or by taking hostages or carrying out a sabotage act. Only civilians [are their goals]. And what has the world to say about this? I am not saying we should adopt the same standard; on the contrary, we act differently. The targets we attack are only terrorist targets. In Beirut, the commands were situated inside the city, surrounded by civilians. It is from there that all the murder directives are issued. Why should they be immune? Only by virtue of being situated among civilians? Our air force is an excellent air force with an extraordinary level of performance of which many throughout the world are envious, even after the [attack on the] Iraqi nuclear reactor [although they do not admit it]. We could have acted under the justifiable assumption that the surroundings would not be hit. Indeed, it was not hit. I think the information on the number of civilian casualties was a lie. It was a lie with the objective of propagandizing, because the Arabs know to what extent the world is sensitive, or sensitive about us when it happens there, and they have exploited this. I am not sure if and when the dimensions of this lie would emerge, but I am sure the figures and the data that have been reported are exaggerated and stem from propaganda. We aimed at commands in other areas, too, and so far we have refrained from attacking them because they were in the (?safety) of civilian installations or buildings--not in Beirut. Despite military pressure, or what I would say was a military necessity, to hit those commands, we nevertheless avoided hitting them only because of the fear that civilian lives might be jeopardized.

Many of our methods of operation--of carrying out raids and commando operations--are rendered more difficult by ourselves and tie down the force of our operation for fear of hitting civilians. We did this to maintain our moral standing, to preserve our norms of conduct. We do not expect to be patted on the shoulder. One can see what other countries have done to civilian populations, how they behaved in times of war, and then see those very same people come and preach to us. In my opinion, we may be the only ones in the world who behave in this manner toward a civilian population. Whenever the civilian population is hit, it is by chance and not intentional and we regret every such incident. But we will not change our ways. However, this is a matter of life or death. In other words, they want to liquidate the State of Israel and we are fighting for our existence. It is inconceivable that they be immune because of a geographical location in a certain place. I am calm about this, and anyone who is familiar with how we operate and our methods knows that this is the way things are.

[Question] With your permission, I would like to go back to the arrangement [hesder] or agreement [haskama] reached between the Israeli Government and Philip Habib today. Does this arrangement or this agreement apply in full to southern Lebanon as well? How? Does it obligate Haddad's forces also?

[Answer] It clearly mentions this issue.

[Question] What role did the Syrians play in reaching this agreement? Does the cease-fire pertain to them, too, or are they not party to the matter?

[Answer] Officially, the Syrians took no part in the fire accidents, as far as we know. To the best of my knowledge, they are not party to this matter. A cease-fire exists with Syria since the Yom Kippur War.

[Question] Were the Syrians involved all along with the negotiations of Philip Habib?

[Answer] Only insofar as the missile crisis is concerned.

[Question] Will the supply of F-16 aircraft from the United States resume as part of this agreement?

[Answer] I do not know about this. I am not aware of any reference to this issue in the context of the cease-fire.

[Question] To sum up the subject, how do you regard the U.S. role, or that of Philip Habib, in obtaining the agreement [haskama]?

[Answer] Philip Habib is an emissary on behalf of the U.S. President. He went from one country to another in the Middle East. What has been agreed upon was agreed upon through his mediation.

[Question] Have the recent expressions in the United States, the suspension of the supply of the F-16 aircraft and the verbal statements that constitute, so to speak, or perhaps do not constitute, pressure on Israel, played a part in obtaining this agreement? Do you not see it this way?

[Answer] No.

[Question] Mr Chief of Staff, do you regard this agreement to be the end of a process, a recess, a time-out, or a beginning of a process?

[Answer] I think this war with the terrorists is the longest in Eretz Yisra'el--in fact, in any country; in our case, in Eretz Yisra'el--between the Palestinians and the Jews. [sentence as heard] I think that now the stage has changed. The fighting in the last 2 weeks had a certain form, and if the fire resumes, it will certainly resume in a different form, or it may resume in the same form, but other moves will be taken. In these wars, no period resembles its predecessor exactly, and this is true throughout the years.

[Question] What do you expect the terrorists to do now in southern Lebanon? Earlier you mentioned the many hits we scored there, the fact that we destroyed their infrastructure and the organization in the terrorist organizations' ranks. What do you think will now happen in southern Lebanon?

[Answer] I assume they will try to organize and repair things, replenish stocks they have lost or that have been burned or destroyed. This is what I assume. I

do not know exactly what their organizational capability is or how long it will take. I presume Libya and Syria and the Eastern bloc will supply them with what they need, perhaps even increase the flow of weaponry to the terrorists. I presume they will use this period for reorganizing.

[Question] Let us return to what preceded the cease-fire. In your estimation, did the terrorists start firing because of [Israeli] bombings, or did the bombings, as far as they [the terrorists] were concerned merely serve as a pretext or a reason for the firing?

[Answer] We witnessed a swift, massive improvement in the terrorists' organization and the using of modern weapons. This process included the absorption of equipment, training and its deployment in the area. We had much proof of this, a lot of evidence and a close follow-up. Our initiated activity stopped because of the elections, the missile crisis, Philip Habib. In my opinion, had our initiative not been resumed, the terrorists--who had amassed all that materiel and positioned it in the area--would have launched a war on us--as they admit, saying they are at war which they have declared--in a manner we had known before. In my opinion, we caught them in the middle of, or toward the end of, their process of organizing for the resumption of war using a new means of warfare. These would not have been terrorist acts through squads or penetration attempts to take hostages, or through using a rubber boat or a glider. It would have been Katyusha launchers and 130-mm cannons and tanks used from fortifications with coordinated orders. The targets would have been our settlements within that range and also the Christians in southern Lebanon. We studied the beginnings of the resumption of activity of this type and its significance: What it means when a 40-barrel launcher fires on a settlement, or when cannon fire is directed--such as with 130-mm cannons--on a particular site. If we had resumed our activity 1 month from now, perhaps our predicament would have been a lot more difficult. By our predicament, I mean the condition of the border settlements. It would have been much worse.

[Question] The government's policy of hitting the terrorists wherever they are without waiting for them to carry out actions was criticized because it was said the policy was speeding up the terrorists' reinforcing and organizing. What do you think about this criticism?

[Answer] In my view, what prompted the terrorists' becoming a force that uses such means of warfare is precisely our success in preventing other terror acts, terror acts in different methods. I do not know why this criticism is being voiced, or what the alternative could have been: Maintain a system in which they kill 22 children in Ma'alot and then we go out and react? Is this the right way? For the last 14 or 15 months we have acted in such a way that they have not been able to have one squad penetrate into Israel. Contrast that to the method of retaliation previously used. Did it ever prevent a terrorist act? Not even once, not even one time. It was just an act of revenge when, after they went to Yehud and killed a mother and her six children [as heard] we went to Qibya in retaliation. There are also other examples from the period in which we engaged in retaliatory operations. Did we once prevent any kind of act? Negative, the answer is no. However, since May 1980 not even one squad has

penetrated Israel to carry out an action, and even terror acts within the country have been on a steep decline in both number and quality and outcome. In a steep decline. So, to what should this be attributed?

Now, they--so I believe--have said to themselves: We cannot penetrate and carry out terror acts either in the air, in the sea or on the land. We tried a hot-air balloon, they burned it; a glider, they captured it; in the sea, they sank our boats; and on land, they kill us all. This is impossible. So what, then? We should remain at a distance and fire a Katyusha, or fire a cannon--at civilians, the very same civilians we--the terrorists--wanted to reach in their kibbutz so we could kill their children. So now we will do it with a cannon from a distance. The same terrorist acts, the same targets, but through other means, where they do not take any risks.

[Question] Is the IDF prepared to handle this type of terrorism?

[Answer] Yes, you can see for yourself that in the last few days we have destroyed cannons, reduced the volume of fire, and had this continued we would have brought them to such a situation that their capability would have been nearly nil.

[Question] What are the difficulties in this type of action against terrorism using artillery?

[Answer] Difficulties in the terrain, as well as the need to have excellent intelligence. We have very good intelligence, and we have overcome the difficulties in the field as we have good means to activate and cancel out this advantage of deploying weapons from afar.

[Question] Can you envision a way or possibility of countering this terrorism with artillery--if it may be called this--by static artillery firing and by using aircraft?

[Answer] Using aircraft is not static warfare, it is dynamic. I said earlier that we have many methods we have not used in this struggle. There are ways of acting that make possible solving this problem, too.

[Question] Are you prepared to elaborate on those methods?

[Answer] No.

[Question] This period in which the terrorists fired at a civilian population in the north was difficult for the population--in the towns, in the Kibbutzim and in the Moshavim. On the basis of what you have seen, and according to your impression, how did that population react?

[Answer] The civilian population is a problem because it, in fact, serves as the terrorists' target. Now, it would be worthwhile to refresh our memory a bit. When the terrorist activity reached its peak--when they sent squads that penetrated, held hostages, went on ambushes and entered into settlements--the problems

were much greater both in terms of the investment in forces and in terms of the behavior of the civilians along the border. The tension, the fear and anxiety, the reactions were all much graver. The efforts the IDF invested were also much greater. However, all this is forgotten. Even then it was accompanied by firing--albeit not massive--on settlements.

This continues to be a problem for the State of Israel, when the civilian population constitutes a target in war, and only this civilian population is the target: The bus on the coastal road, the Savoy Hotel, the bomb at the university cafeteria or in the Karmel market or in Netanya or anywhere else are directed only at the civilian population. Since this terrorism has been checked, what remains for the terrorists to do is to act in the way they have recently demonstrated: to shoot from a distance, from deep inside their territory. They hit the civilian population along the border. I think the conduct of our population is more than acceptable; it is good. The moment the IDF took Qiryat Shemona into its hands there, too, the atmosphere took a 180-degree turn. And even though the social condition and the background in Qiryat Shemona and Nahariyya are different, still the situation in Qiryat Shemona is greatly improving. I can remember what happened in Bet She'an when shelling took place and there were Katyushas every day. The situation was very difficult. So, by good management, by explaining things and through treatment it is possible to give the populace an ability to withstand. And this is what we have been doing now.

[Question] What has the IDF done during this period in Qiryat Shemona to help the population?

[Answer] The IDF has become the central factor in restoring normal life in Qiryat Shemona in all spheres: It took care of the shelters and the electricity there as well as in distributing food and in cleaning and painting and in treating the population directly and in organizing the civilian life. This had an immediate impact.

[Question] Do you, as chief of staff, think that the preparedness for this was sufficient? Was the town prepared in a manner that would satisfy you as chief of staff?

[Answer] What do you mean was the town prepared?

[Question] In terms of shelters and how they are readied.

[Answer] In Qiryat Shemona there are shelters, some of them in a bad condition. But there are many shelters--in terms of the population there are enough. But they are in a different condition than shelters in other places for many reasons, both because of the age of the shelters and because of the population's attitude toward these installations. Wherever the population treats them well and with understanding, the condition of the shelters is better, and where there is neglect, in times of need people find out that it is difficult to function or make sure that the shelters are fulfilling their purpose properly. This is a subject that has to be worked at throughout the year, every day, in all the sectors of the population. It is not the IDF's job, but the IDF has been dealing

with this indirectly, albeit insufficiently. If this job is given to the IDF, then it will deal with it and do its best. In the 2, 3 or 4 days that we have been in Qiryat Shemona, this is what we have been doing, and it has an outstanding effect on the populace and on the general feeling when tested, namely when one has to go down into the shelters and sit there for a long while.

[Question] Let us get back to the terrorists and the Syrians. The terrorists in some regions operate under the Syrian missile umbrella. Does it not create a situation in which the Syrians, too, can be held responsible for the situation?

[Answer] I think the Syrians should be held responsible for every terrorist activity. And we know that this is so, that the Syrians are responsible and urge them to operate against us from Jordan and have been helping them cross the border into Jordan. I know that the Syrians have been equipping them with means of warfare and ammunition, and have been training them. I also know that there are many operations that are coordinated with or conducted with the knowledge of the Syrians. Some of the terrorist bases are under the umbrella of the Syrian ground-to-air missiles, but this will not immunize them at all.

[Question] How much has the fact that the Syrian missiles are still in the Lebanese al-Biq'a' area constituted a military threat to us, beyond the political threat?

[Answer] It is damaging from the point of view of intelligence as well as from the point of view of having changed the status quo in Lebanon because these missiles cannot be ignored, despite what I said that the terrorists would not be immune even if they are under such an umbrella. It has created a new situation for us with other difficulties involved.

[Question] Has the IDF limited its overflights of these areas?

[Answer] No.

[Question] Further on the recent days' events: What are the budgetary results and implications of our actions in the north?

[Answer] I did not go deeply into the details, but next week we will sum up the lessons and then I will know.

[Question] Has it hampered certain things the IDF had planned to do?

[Answer] No.

[Question] In other words, everything is normal, business as usual in the IDF throughout this period?

[Answer] Absolutely.

[Question] Mr Chief of Staff Refa'el Eytan: Now that this stage is over and we are on the brink of a cease-fire, how do you see the IDF's priorities in the near future?

[Answer] They have not changed. They are still what had been determined for this year, and this is what will be implemented.

[Question] What about the north?

[Answer] The same.

[Question] Would you like to say something to the soldiers who participated in all those operations in the north and all those civilians who had experienced this entire difficult period of shelling?

[Answer] I must address myself to the capability the IDF has demonstrated in all its branches during this period: The artillery units, the artillery corps, paratroopers, Golani commando units, armored corps units, the air force and the navy--as usual, they all demonstrated a superb level of performance, showed resourcefulness and ability, and provided an example of what the IDF can do, an example of the army's standards. The soldiers have been working very hard, but the training and preparatory stages they undergo have proved themselves worthy now that one has to stand the test.

One must also devote some words to the civilian population, which is--in this case--passive. In other words, war is being forced on it and yet it is devoid of any capability of replying or responding. It is the army that reacts, whereas the population feels somehow hit without being able to take other measures. This is the nature of a civilian population along the firing line. I must note that our civilian population's standard is high both relative to other periods and perhaps compared to other nations that were in a similar situation. I am convinced our population has been showing a much higher standard, much more tolerance and understanding, as well as courage. I wish them good luck in continuing to do so.

CSO: 4323/30

'HA'ARETZ' EXPECTS SOVIET-JORDANIAN ARMS DEAL

TA311031 Tel Aviv HA'ARETZ in Hebrew 31 Jul 81 p 13

[Commentary by Ze'ev Schiff: "The Soviet Offensive in Jordan"]

[Text] While the ships of the Soviet fleet in the Mediterranean and seaplanes carried out a joint landing exercise with the Syrian army on the Syrian coast, several suspicious Soviet moves are being made behind the scenes in the Middle East. The Kremlin does not remain static and it is noticeable that we can expect moves of political and military significance in the area.

The demonstration of Russian military presence in Syria came to an end with the conclusion of the maneuvers and the departure of the heavy aircraft (the TU-16's and IL-38's that accompanied the maneuver). However, it is clear that the military move has not ended with this. Too many Russian military delegations have been arriving in Damascus recently. The visits began back in May, when the deputy commander of the Soviet Air Force, Marshal (Vapimov), came on a supervisory tour of Syria. The Syrian army is still on high alert, but the "missile crisis" has died down. Israel is not pressing, as it did at first, and the U.S. mediator is also showing no signs that he intends to return to the area soon to deal with the missile problem. Therefore, the question is: What is the purpose of the visits to Damascus of the Russian military delegations, which, according to one report, again included the deputy commander of the Soviet Air Force? The answer to this can be found in Damascus and Moscow.

But if the Russian activity in Damascus is also still unclear, it is now becoming apparent that the main Russian effort today is directed at Jordan. They want to penetrate this new position at almost any cost. If the other activity is concentrated around countries in which Moscow already has a foothold, Jordan is a new, most important target.

The reference is to an arms deal between the Soviet Union and Jordan, which will represent a foothold for Moscow in this pro-Western country. In the past possible arms deals between Jordan and the Soviet Union were mentioned more than once, but they were always turned down. This was either because King Husayn drew back at the last moment, or because of Saudi Arabian pressure and U.S. temptations. According to all the signs, this time we have reached the crossroads. In my evaluation, this time the results will be different and Jordan will sign its first Russian arms deal, despite all the counterpressures.

We should not understand from this that from now on Jordan will cut itself off from the Western sources of supply. It will try to enjoy the best of both worlds and threaten Washington with Russian deals (right now deals are being conducted with the United States). There is no doubt that this is a dangerous game from Husayn's viewpoint, particularly if he is confronted with a firm U.S. administration. An increase in the Russian presence in Jordan will also be a danger to his regime. It is natural that Husayn should try to procure the Russian weapons without their being accompanied by Russian experts, or only a few of them. But matters are not simple when it is a question of arms deals, especially with the Soviet Union.

One way or another, an arms deal between Jordan and the Soviet Union, if it does indeed come off, is a change in the deployment of the superpowers in the Middle East. It would be an impressive Russian achievement after Moscow's retreat from several places in the area. This would be penetration of an Arab country with a pro-Western tradition since its foundation. If the move succeeds, it is clear that the important objective is not Amman itself, but the neighboring capital to its southeast: Riyadh. There is no doubt that Moscow wants not only a penetration of Jordan, but mainly a springboard, using Jordanian mediation, to Saudi Arabia.

If this deal comes off, it will also have an immediate effect on Israel and its security. This will mean that there will again be Russian experts in close proximity to two of its borders. The danger to Israel will also be directly military. According to what has been published, the deal in question is one of antiaircraft weapons systems. After Jordan received improved Hawk batteries from the United States, which Jordan considers (because of the restrictions laid down by Washington) to be an immobile weapons system, it may be assumed that it will now try to get the mobile weapons systems from the Russians. These are known for their quality.

First of all, this involves SAM-6 batteries, models of which were introduced into the al-Biqa' region of Lebanon by the Syrians. The Jordanians may very well also try to procure the more modern and smaller missiles (against low-flying aircraft) of the SAM-8 and SAM-9 models. Another good mobile antiaircraft system the Russians have is the SU-23 radar-guided cannon. It is true that the Jordanians have Vulcan multibarrel cannon (like the IDF), but they may be interested in also fleshing out their military establishment with the Russian cannons (with four barrels and on armored halftrack vehicles). Such a deal has an appreciable military significance from Israel's point of view. It would add superior antiaircraft defense to the Jordanian armored formations (now being improved with the aid of the United States and Britain).

The political moral is that promises made to Israel at the same time as modern weapons are being sold to Arabs have no value. This is what happened when the F-15's were sold to Saudi Arabia and it was promised that the additional fuel containers and bomb carriers would not be sold to it; and also when we were told that the Hawk missile batteries for Jordan were providing that country with all it needed. Every such promise holds good only at the time and we should always assume that it will be broken. This time the one who violated the "arrangement" is not Washington, but Amman.

However, it is worth noting that such a deal between Amman and Moscow could be carried out at a time when Washington has laid an embargo on Israel on the issue of the F-16's.

It may not be assumed that the Russian military effort in the Middle East has come to an end. At the two extreme ends of the area--Iraq and Libya--the Soviet Union is making efforts to enhance its ties. In Iraq it intends to return to the old positions and melt the freeze that began with the outbreak of the war between Iraq and Iran. For the moment it is not known whether a Russian-Iraqi arms deal is in question. The Iraqis need a great many new weapons systems and they are appealing to any possible element. The possibilities are that a large new deal will be implemented with the Soviet Union, or that Moscow will implement the deal via another Eastern country, as it already did during the war (it sold arms to Iraq via Poland, and to Iran via Libya, Syria and North Korea).

At the other end of the area Moscow will certainly take advantage of al-Qadhdhafi's concern about the renewed rapprochement between Egypt and Sudan. Al-Qadhdhafi is convinced that it is only a matter of time before Egypt again attacks him. It was reported quite a long time ago that the Soviet fleet in the Mediterranean is to make a first official visit to Libyan ports. It is more reasonable to assume that Moscow will also suggest that Libya sign a friendship and cooperation pact with it (as it signed with Damascus last year) and perhaps even hold a joint naval maneuver with the developing Libyan fleet as it did recently with the Syrian fleet. However, all these are moves of secondary importance compared with the expected arms deal between Jordan and the Soviet Union.

CSO: 4323/30

RAMALLAH MAYOR HAILS PLO 'VICTORY ON NORTHERN FRONT'

TA300814 Tel Aviv ITIM in Hebrew 2230 GMT 29 Jul 81

[Text] Jerusalem, 29 Jul--Ramallah Mayor Karim Khalaf is claiming in the East Jerusalem paper of AL-FAJR that "the Palestinian people under the PLO's leadership scored a big victory on the northern front."

Khalaf's remarks were published despite the ban imposed by the military authorities on Judaea and Samaria public figures publicly declaring their identification with the PLO. Khalaf claims that "the war proved that the Palestinian people are a difficult factor in the regional conflict and that no solution will be possible without the PLO's agreement."

Ramallah's mayor added that "the Washington administration and the Tel Aviv government will have to recognize the PLO's exclusive leadership." Later the mayor praised the Palestinian-Lebanese cooperation recently manifested in the steadfast stand against hostile forces. He congratulated Yasir 'Arafat, saying that all Palestinians stand behind him.

Khalaf rejected Israeli declarations that the PLO consented to a cease-fire in light of the blows it absorbed, claiming that "the joint PLO-Lebanese forces emerged stronger from this war than from past wars and it was the Palestinian resistance which compelled the others [Israel, the United States] to recognize its power and ask for a cease-fire.

CSO: 4323/30

BRIEFS

BUDGET FOR TERRITORIES—The budget of the local authorities beyond the green line will amount to 250 million Israeli shekels this year. This was reported yesterday by the coordinator of internal affairs in the Interior Ministry, Dr Me'ir Shaham, at a convention of 12 heads of the Jewish local authorities beyond the green line. Dr Shaham said that the development budget would be finalized in the next few days after the Interior Ministry and the Finance Ministry had completed their discussions. According to Dr Shaham, the heads of the local authorities would also serve as the regional committee for urban planning, parallel to the regional planning committee of the Arab settlements. The committee will be empowered to approve regional infrastructure plans. The regional committee will be headed by Shlomo 'Amar, the staff officer for internal affairs at the military government of Judaea and Samaria. Dr Shaham explained that the local councils would be able to enact various auxiliary laws on issues of local government after a special court for the implementation of auxiliary laws has been established in the territories. [By 'Aqiva Eldar] [Excerpt] [TA291328 Tel Aviv HA'ARETZ in Hebrew 29 Jul 81 p 18]

CSO: 4323/30

'ABD-AL-'ATI AL-'UBAYDI DISCUSSES RELATIONS WITH FRANCE

Paris AN-NAHAR ARAB REPORT & MEMO in English No 30, 27 Jul 81 pp 3-4

[Text]

Libya's Secretary General for the Office of External Communications Abdel Ati al-Obeidi made a two-day official visit to France last week, underlining closer relations between the two countries since President Francois Mitterrand took office. Just how delicate the question of Franco-Libyan ties is felt to be in Paris was illustrated by the secrecy which surrounded Mr Obeidi's visit. Mr Obeidi has a rank roughly equivalent to Minister of State.

No announcement of his presence in France was made by the authorities and no word appeared in the French press: officials at the Quai d'Orsay and in the Ministry of Cooperation and Development who met Mr Obeidi at first denied to this newsletter that he was there; later, however, Ministry of Cooperation officials did confirm his presence in Paris, where he gave an interview to *An-Nahar Arab Report & MEMO's* Randa Takieddine.

The interview follows:

Q: Following your visit to France and your meeting with Jean-Pierre Cot, the Minister of Cooperation, can you say whether there is an improvement in Libya's relations with the new Socialist government in France?

A: I must say that we are satisfied with the new policies of the French government concerning Libya and particularly because they have managed to bring relations out of the freezer, where they had been during the Presidency of Valéry Giscard d'Estaing.

Q: Was your visit the result of a French invitation or was it due to a Libyan initiative?

A: It was the result of common contacts which started with the Libyan statement expressing satisfaction over the victory of François Mitterrand and his Socialist Party and the congratulatory telegramme sent by Col Qadhafi to the new Socialist President. This encouraged

contacts between the two countries. A further contribution was made by the French government's announcement of its will to initiate a new policy of economic cooperation and trade and, of course, by the lifting of the freeze on existing contracts between Libya and France imposed by President Giscard d'Estaing.

Q: What do these contracts deal with?

A: Purchases of arms and oil contracts, notably the contract between Libya and Elf-Aquitaine over exploration for oil in our country. France has now lifted the ban.

Q: Has there been an effective start to resumed supply of French military equipment?

A: There are routine measure which are being undertaken. The French have told us these will not take a long time.

Q: Did you meet only Mr Cot? Are you planning to meet other French officials and how would you describe the atmosphere during your talks here?

A: Up until today, I have met only Mr Cot. I may meet some other French officials tomorrow. I can say that the atmosphere during our talks with Mr Cot was one of understanding and that on many topics there is a common conviction that we can together find a way to clear up problems.

Q: Is it true that the French government has inserted conditions into new contracts for military equipment and other contracts?

A: The official French communique said that all previous contracts would be implemented but that new contracts would depend on new positive steps to solve the problem in Chad.

Today, we made it clear to the French that the problem in Chad concerns first and foremost the government of Chad. This is because Chad is an independent country and we have a common agreement with the government of that country. So it is a Chadian problem. The French government has shown understanding for this view.

We have made it clear to the French that the Organisation for African Unity discussed this matter in Nairobi and took a decision with which we agreed. We are certainly cooperating with the government of Chad and the OAU to implement this agreement. Moreover, military cooperation between Chad and Libya should not be viewed as a military invasion by Libya because of the common agreement between the two countries. The French have understood our point of view and have expressed their will to help the government of Chad rebuild its economy after the war.

I think this policy of dialogue will contribute to more understanding on both sides. This sort of policy was absent when Mr Giscard d'Estaing was President.

Q: The French have placed conditions on a resumption of normal diplomatic relations between Libya and France. Among them is the rebuilding of the French Embassy in Tripoli (which was badly damaged by mob violence) and the withdrawal of Libyan forces from Chad. Did you discuss these points?

A: They have made it clear to us that there are no conditions for the resumption of normal relations. There are, however, some problems to be solved and among them is indeed the question of the French Embassy in Tripoli.

As for the question of Chad, they did not discuss it in terms of a military withdrawal but insisted that the Chadian problem should be treated in accordance with the Nairobi agreement of the OAU. The French have made it clear to us that they do not consider our presence in Chad as illegal. Rather, they expressed their respect for our cooperation with the government of Chad.

To return to the question of the French Embassy in Tripoli, we do not consider this a difficult problem. We will definitely help to solve it and re-establish normal relations between France and Libya. This is because we are convinced that there are interests linking France and the Arab nation which are much more important than these problems.

Q: Did you talk with the French about Lebanon and the Israeli raids there?

A: Yes we did, and the French expressed their worries over the deteriorating situation and over a global confrontation in the Arab region. But I must admit that the French position was not the one we would wish them to

adopt in that there was no frank and clear condemnation of Zionist aggression against Lebanon and the Palestinian Resistance.

Q: Do you mean that there has been a shift away from France's traditional pro-Arab policy?

A: I do not mean that. But we expected France to have a clearer and more frank attitude in its condemnation of Israel.

Q: Can we return to your remark about France not considering Libya's military presence in Chad to be illegal?

A: They told us this and they made it clear that this question is none of their business but rather one which concerns mainly the government of President Goukkoune Oueddé in Chad, Libya and the OAU. But they said that France can contribute in assisting the government of Chad and made it clear that they do not consider this as interference or that it is a French problem.

Q: Did you discuss military cooperation between France and Libya?

A: This subject was considered, but we did not go into details. These are being left to experts in both Libya and France.

Q: How do you view economic cooperation between Libya and France?

A: In the past, France contributed to our National Development Plan through French enterprises, through technical assistance and through cooperation in exploring for oil and exporting oil. This cooperation can be resumed and increased.

Q: Is there any intention to invite Col Qadhafi to visit France?

A: We did not speak about this. But we did speak about how to maintain our contacts and there will be possibilities for more contacts and visits by officials of both countries.

Q: Col Qadhafi has spoken of the need to use oil as a weapon against the West after Israel's aggression in Lebanon. Did you discuss this with the French?

A: We did not discuss the oil embargo as such. But we did speak about mutual interests and the need for a clear stand on major issues in Europe in general and in France in particular.

Q: The US has threatened to arm and strengthen Libya's neighbours to counter your policies in Africa. Did this initiative encourage the French to improve relations

with Libya in an attempt to halt the spread of American influence in Africa?

There is also a belief that the Socialist government in France would like to improve relations with Libya to obtain an alternative Arab market to Iraq, which is showing its dissatisfaction over French policy following the Israeli raid on the Osirak reactor. Is this so?

A: The US is trying to play a dangerous role in Africa and is threatening the security and stability of the continent, especially in Egypt and Sudan. We talked about this with French officials and we gathered that the French do not agree with American policy in Africa.

France wants security and stability in Africa and they want Africa to remain outside the orbit of the super-powers. France is trying to take an independent stand in its African policy ...

As for the second part of your question, we do not intend to compete against any of our Arab brothers. It is irrelevant to talk of an alternative to Iraq. France has huge interests throughout the Arab nation.

Q: Libya's relations with the US are bad and recently President Reagan closed down your diplomatic mission in the US and expelled your diplomats. Yet the majority of the oil companies operating in Libya and dealing with you are American. How do you explain your non-retaliation to US policy?

A: We wanted initially to maintain good relations with America. Unfortunately, their attitude was irresponsible and strange. We did not retaliate because we did not want to adopt the same irresponsible and strange attitude. The American oil companies still operate and deal with Libya and they were not harmed.

Each country has its right to defend itself. But we are convinced that the US is following a policy of harming the whole Arab nation and of enmity to the Arabs.

TAKEOVER OF OIL SERVICES EXPECTED

Paris AN-NAHAR ARAB REPORT & MEMO in English No 29, 20 Jul 81 p 9

[Text]

Qatar wants to take a bigger role in operating its oilfields when the service contracts of two foreign oil companies expire next year, according to a report from Doha.

The two companies, Dukhan and Shell, have five-year service contracts to operate Qatar's onshore fields. The companies at present have a fixed fee agreement, set at 1.266 per cent of the selling price of a barrel of oil.

According to Director of Petroleum Affairs Abdullah Sallat, Qatar plans to develop sufficient local expertise and technical know-how to run its own oil facilities without outside help. However, Mr Sallat, has conceded that a complete takeover of operational and production facilities may not be possible before the expiry of the present service contract.

In such a case, Mr Sallat stated, a revised contract would be drawn up "promoting Qatar's national interests." This would mean that the fee rates would be reviewed to take greater account of the increasingly large role being taken by the country's state-owned oil company, the Qatar Petroleum and Gas Corporation (QPGC). At present, QPGC is training personnel in all areas of the oil industry, including management, operations, exploration and drilling.

CSO: 4300/68

AIR FRANCE HOSTS SAUDI VENTURES IN PORTUGAL

London 8 DAYS in English No 29, 25 Jul 81 p 41

[Text]

AIR FRANCE has just arranged an unusual partnership, whereby Saudi money will pay for the construction of two luxury hotels on land owned by the Portuguese state oil company Petrogal. The intermediary's reward is that both will be operated by the French airline's hotel subsidiary Meridien.

The details were discreetly published in the Portuguese Official Gazette on 7 July, with the ministry of finance's all-important seal of approval. The \$30m deal is the largest Saudi investment in Portugal to date and will be Meridien's first venture in the Iberian Peninsula. For Petrogal, the move to take a share in the hotels rather than sell the land outright reflects a decision to diversify.

One of the hotels will be built next door to the Lisbon Ritz, which was taken over by the Intercontinental chain last year. Perched on a hillside, it will have a view over Lisbon's main park. The other is to be built in the northern city of Oporto, where it will overlook the Atlantic Ocean on the road to the port of Leixoes.

Air France persuaded the Geneva-based Saudi investment company Ditco to put up the money for the project. Petrogal is being mysterious about Ditco's board of directors, but reassuring whispers from the French suggest that it is suitably close to the Saudi royal family.

The Portuguese government, meanwhile, seems resigned to the fact that the only things the Arabs find attractive in Portugal

are the sun and the sea. For years, the Foreign Investment Institute, which acts as a regulatory board, has been complaining that the only petrodollars coming to Portugal were being invested in tourism.

For Portugal — so heavily dependent on Arab oil — it would have been much more satisfactory if Middle East money was used to buy up some of the lame ducks in the public sector, which are being offered at bargain prices seven years after the revolution. It would have meant that the Arabs were in some way committed to supplying the oil needed to maintain Portuguese industry.

Nevertheless, at the moment it is hotel development that is attracting Arab money. For example, the state-owned airline TAP has been involved in protracted negotiations to sell its share in the Lisbon Penta Hotel to a group of Arab investors.

An Arab consortium, led by a Saudi Arabian financier, is planning ambitious tourist developments in northern and central Portugal. The consortium has been negotiating with two small towns near the 'Portuguese Venice', Aveiro, to build two Club Méditerranée-type tourist villages. Further north, near Viena do Castelo on the northern border with Spain, the same consortium is involved in discussions to build two country clubs. According to press reports, the estimated investment in the two projects will be \$30m.

The Arabs' pioneering investment in Portuguese tourism came in 1973.

DILEMMA FOR SAUDI BANKS

London 8 DAYS in English No 29, 25 Jul 81 pp 42-43

[Article by Robert Pouliot]

[Text]

WESTERN banking institutions are keeping a close watch on the implications and likely effects of an exceptional series of fatwas, or religious decrees, issued in Saudi Arabia, condemning the use of *riba*, the western system of interest.

At least 10 leading banks and corporations have asked high-ranking managers, some at vice presidential level, to look into what a new trend towards interest-free Islamic banking could mean for them and for the management of the kingdom's estimated \$130bn gross of foreign investment.

They include big names such as La Société Générale (one of France's Big Three nationalised banks), Merrill Lynch Pierce Fenner and Smith (the top US brokers), the First National Bank of Chicago, Kleinwort Benson (Britain), Chase Manhattan in New York, the Deutsche Bank, the Middle East group of Brown Brothers Harriman (NY) and multinationals such as Lockheed Aircraft and Lafarge (France).

The fatwas have condemned interest as usury, have forbidden Muslims to work for, or even help, *riba* banks and have called on Saudi authorities to do their utmost to stimulate the establishment of banks that operate within the rule of Sharia, or Islamic law.

A few of the western institutions are already dealing under the rules of Sharia and have helped some new Islamic investment companies in their quest to create new types of interest-free financial instruments to manage short-term liquidity through commodity trading, foreign exchange and futures market dealings.

But despite the issues raised by the fatwas, there is evidence that the western system is holding strong. In Riyadh, a senior official from a large Saudiised concern commented: 'If there is any trend at all, it is in the opposite direction, away from Islam.' He pointed to a massive conversion over the past year of accounts that did not bear interest into time deposits. The high interest rates in America drove thousands of Saudi businessmen and savers, who used to forego interest on their accounts for religious reasons, to insist on cashing in the highest going rates for their time deposits in Saudi Riyals. Thanks to a yield three times higher than that for regular accounts earning 4 to 5 per cent interest (or 'commission' as it is known in the kingdom), saving and time deposits have soared by 128 per cent over the last year, according to the latest report of the Saudi Arabia Monetary Agency (SAMA). Borrowers, mostly companies, at present have to pay a record 16 to 17 per cent interest to banks such as the National Commercial Bank or the Riyad Bank.

The bank official even referred to two cases in which sheikhs recently got private fatwas issued in favour of interest. 'Surprisingly enough, one said that he was allowed to get interest if the income was immediately ploughed back into productive projects while another insisted that as long as the bank invested in risky projects, he could earn interest. On the other hand, adds the source, a majority of members of the royal family would still keep their Saudi deposits in interest-free instruments.

As Sheikh Mohammed Ali al Harkan, one of the greatest callers of Islam and general secretary of the Jeddah-based

World Muslim League, spread over 52 countries, told *8 Days* from his summer home in Taif: 'All the ulemas of the kingdom are against riba and are working hard to change the system, but the implementation of the fatwas depends on the political authorities, not on us.'

A recent fatwa, number 3.620, issued in late April, answered a bank employee, Mahmoud Hussein Hammed, who had asked whether work in a riba bank was permissible and, if not, whether he had to resign. Signed by Sheikh Abdelaziz bin Abdallah bin Baz, president of the Permanent Supreme Council of Religious Scholars, the decree left no compromise: 'Work in the banks as they are today, using interest, is prohibited and you are therefore forbidden to work in this bank.' The fatwa then referred to a previous decree released in 1976 (number 1.338), dealing at length with the issue.

In the long term, mounting pressure both inside and outside the kingdom could speed up the process of change in the banking system and cause initially dramatic bottlenecks in handling large portfolios. 'There is considerable pressure building up inside Saudi Arabia to Islamicise the system and it would be a mistake on the part of western bankers to overlook such a phenomenon,' insisted a top Swiss banker who is closely associated with a number of Saudi businessmen. 'What I am afraid of is that one day Saudi Arabia may legislate in favour of Islamic banking, thereby causing big changes, with most western bankers caught off guard.'

Another financier, formerly connected to a large US bank, says the transition should not be too brutal. 'It wouldn't be in our interest nor in the interest of the West,' says the source, who is now committed to establish new instruments under the rules of the Sharia.

Authoritative sources, who prefer to remain anonymous, already envisage a transition period of three to five years during which no new banking or operating licence would be issued to institutions based on riba. Simultaneously, a large number of institutions operating under Sharia would be encouraged. After this, all institutions would either have to abide by a new Islamic banking code, yet to be adopted or enforced, or close down. Such a transition might be along the same lines as the Saudiisation of the kingdom's banking network, successfully achieved last year.

But SAMA sources, on the other hand,

told *8 Days* that it has no such plans. The banking question is a continuing debate within the Saudi government and no decisions have been taken so far which would indicate such a conversion. The SAMA sources added that the most important consideration is that if the country's banks stopped giving interest, investors would send their money abroad. Another source, heavily involved with Saudi bankers and acting as a financial

“ One day Saudi Arabia may legislate in favour of Islamic banking, thereby causing big changes ”

adviser to Crown Prince Fahd, does not believe that the thrust of the fatwas will be effective. 'It won't be enforced. Everyone in banking circles is confident that all will continue as before.'

Diplomatic sources in Jeddah admit that there is a hardline Islamic fundamentalist camp, headed by Prince Abdullah, within the royal family. With Prince Majed, the minister of municipal and rural affairs, he has joined Prince Mohammed al Faisal in setting up the latest Islamic institution, Dar al Maal al Islami — the Islamic House of Funds — in June. But any friction between them and the pro-American lobby headed by Crown Prince Fahd has been reduced lately. Diplomats believe that nobody in the royal family is going to push for such a big economic change when Saudi Arabia is heading the new Gulf Cooperation Council and helping to resolve the Lebanese crisis and the Gulf war. At the same time, they add, the Saudis are anxious to preserve American and European support, especially while Israel is on the offensive.

Yet voices of dissent are being heard more and more often. For instance, Dr Mustapha Mahmoud Nour, vice president of the Islamic Investment Company IIC, says he does not understand why there still has been no answer from the Saudi finance minister, Sheikh Mohammed Abalkhail, to a licence request put more than 18 months ago by his group to operate in the kingdom. Compelled to work out of private offices set up by Prince Mohammed (a major shareholder of IIC and the prime mover behind Dar al Maal al Islami) in seven areas

throughout the kingdom. 'We were instructed in late June by the ministry of information not to use our name any more when advertising our investment certificates (known as modarabas). The irony of it all is that more than half our 14,000 or so investors in the Middle East are from Saudi Arabia, followed by Egyptians.'

Prince Mohammed was at a press conference in mid-June to launch Dar al Maal al Islami, geared to take over from IIC. Asked why the cradle of Islam had not allowed any Islamic commercial bank to operate, in contrast to Kuwait, Dubai, Egypt, Sudan, Jordan and Bahrain, he commented: 'It could be a shock if Saudi Arabia opened an Islamic bank, as many others would need to be created. It is a big dilemma, a big problem.'

The only Islamic institution based in Saudi Arabia at present is the Islamic Development Bank, a multi-billion dollar multilateral aid organisation which Prince Mohammed helped to create. Sources there say that IDB has never taken interest on any

loans it has given but charges instead a service charge of between 2.5 and 3 per cent to meet administrative costs. Yet, asked whether reports alleging that IDB had earned 'by mistake' interest on some of its idle cash (reckoned to reach \$200m to \$300m), a senior official, who insisted on remaining anonymous, said that a fatwa, issued during last year's hajj period by IDB's religious supervisory board, instructed the bank to hand over any interest earned to calamity-stricken states. 'And we did, to countries such as Sudan and Algeria, and elsewhere in Africa.'

The crucial test will come within a few years, depending on the performance of such new institutions as Dar al Maal al Islami — if it succeeds in getting a licence from Saudi Arabia — or through a new investment company set up by the powerful Rajhi currency-changing family. If these two vehicles succeed in offering investment outlets as competitive under Islamic rules as the existing *riba* institutions, 'the transition could accelerate significantly,' said the IDB official.

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COMPETITION GROWS IN FOOD MARKET

Paris AN-NAHAR ARAB REPORT & MEMO in English No 29, 20 Jul 81 pp 7-8

[Text]

Competition has brought down retailers' profit margins on food in Dubai with a thump, according to a survey by the Dubai Chamber of Commerce and Industry which was published last week. The survey showed that margins on some foodstuffs had been slashed to as low as 5.5 per cent, a far cry from the mark-ups of as much as 300 per cent which the Emirate's Ministry of Economy and Commerce found being charged by profiteering shopkeepers early last year.

The ministry had found mark-ups of 166 per cent on coffee in its study of prices last year; the latest survey shows a margin on coffee of 8.6 per cent. Milk powder had been marked up by 82 per cent last year; the figure given by the Chamber of Commerce for this commodity was 6.25 per cent. The survey, covering the first quarter of 1981, showed that none of the major items of food carried profit margins of more than 28 per cent. "Retailers are making only marginal profits on a wide variety of popular items like milk and milk products, tea and coffee, frozen chicken, butter and sugar," the general manager of one Dubai supermarket chain told WAM, the official UAE news agency. "Even on other items, the retail business no longer fetches

more than 20 per cent profits."

Lal Ganwani, who heads another supermarket chain, cited changing buying habits in Dubai for lower prices. "More and more people who used to shop from the *souk* (market) are now buying from supermarkets," he told WAM. "To retain this clientele, stores are having to come to terms with *souk* prices, which used to be about 10 per cent lower than supermarket prices." Mr Gawani added that Dubai shippers were showing a greater awareness of prices. "It is no longer possible for any store to charge prices that are unfair to the consumer," he said.

Another supermarket owner complained to WAM that an over-supply of goods was bringing down prices. "The supermarket business itself has become saturated," he told the news agency. "There is competition among stores as never before." WAM also quoted traders in food as saying that the supermarkets were employing staff to monitor the prices charged by rival chains. "Any change in prices in one chain leads to a quick reaction in others," a trader commented. "Competition has become so stiff that this is the only way one can stay in business."

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